



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

LAW DEPARTMENT

January 3, 1994

Writer's Direct No.

405-270-2791

VIA AIRBORNE EXPRESS

Debbie F. Regel
Emergency Support Section
USEPA, HSE-5J
77 West Jackson Boulevard
Chicago, Illinois 60604

EPA Region 5 Records Ctr.



383778

Re: Lindsay Light II Site
Chicago, Illinois

Dear Ms. Regel:

As per your Request for Information under 104(e) of CERCLA as received on December 9, 1993, as to the above referenced site, please find enclosed the response on behalf of Kerr-McGee Chemical Corporation. Please let me know if you have any questions in this regard.

Sincerely,

W.O. Green, III
Staff Counsel

WOG:lpd
Enclosure

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INTERNATIONAL* SHIPPING

FROM

KERR MC GEE

123 ROBERT S KERR AVE

OKLAHOMA CITY

OK 73102

405-270-3890

TO

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(U.S. EPA)

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60604

3-7632

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RESPONSE BY KERR-McGEE CHEMICAL CORPORATION
TO REQUEST FOR INFORMATION UNDER 104(E) CERCLA
RECEIVED BY KMCC ON DECEMBER 9, 1993
CHICAGO DOCK & CANAL TRUST, CHICAGO, ILLINOIS

The basis for Kerr-McGee Chemical Corporation's response is historical documents. We have identified no one within Kerr-McGee Chemical Corporation who has personal knowledge as to the Site.

Request No. 1. Identify all persons consulted in the preparation of the answers to these Information Requests.

Response: Don Hager, Assistant Secretary and Senior Counsel
Kerr-McGee Corporation
Oklahoma City, OK

George B. Rice, Senior Vice President Safety and
Environmental Management
Kerr-McGee Chemical Corporation
Oklahoma City, OK

Joseph A. Young, Special Counsel Major Projects
Kerr-McGee Corporation
Oklahoma City, OK

Request No. 2. Identify all documents consulted, examined, or referred to in the preparation of the answers to these Requests and provide copies of all such documents.

Response: Documents are attached hereto which consist of Lindsay Chemical Company Corporate Records and information provided by Chicago Dock & Canal Trust in October 1993.

Request No. 3; If you have reason to believe that there may be persons able to provide a more detailed or complete response to any Information Request or who may be able to provide additional responsive documents, identify such persons.

Response: Charles R. Gardner, President
Chicago Dock & Canal Trust
455 East Illinois Street
Chicago, IL 60611

Request No. 4. Identify the acts or omissions of any persons, other than your employees, contractors, or agents, that may have caused the release or threat of release of hazardous substances, pollutants, or contaminants and damages resulting therefrom.

Response: Unknown

Request No. 5. Identify all persons having knowledge or information about the generation, transportation, treatment, disposal or other handling of hazardous substances by you, your contractors, or by prior owners and/operators.

Response: Unknown

Request No. 6. Describe any contractual relationship, merger agreement, or other business transaction between the Lindsay Light Company and the American Potash Company, and between the American Potash Company and the Kerr-McGee Chemical Corporation. Provide details of the terms of any such relationship, and provide any pertinent documents.

Response: Lindsay Light Company was incorporated in Illinois on April 28, 1904. On February 19, 1935, Lindsay Light Company changed its name to Lindsay Light & Chemical Company. On June 30, 1952, Lindsay Light & Chemical Company changed its name to Lindsay Chemical Company. On May 1, 1958, Lindsay Chemical Company merged into American Potash & Chemical Corporation, a Delaware corporation incorporated on June 4, 1926. On December 29, 1967, American Potash & Chemical Corporation merged into Kerr-McGee Corporation, a Delaware corporation.

Ampot, Inc. was incorporated in Delaware on October 25, 1967 as a wholly-owned subsidiary of Kerr-McGee Corporation. On December 29, 1967, Ampot, Inc. changed its name to American Potash & Chemical Corporation to receive the assets and liabilities transferred from Kerr-McGee Corporation of the American Potash & Chemical Corporation incorporated on June 4, 1926. On October 1, 1970, American Potash & Chemical Corporation changed its name to Kerr-McGee Chemical Corp. On April 1, 1974, Kerr-McGee Chemical Corp. changed its name to Kerr-McGee Chemical Corporation. (Attachment No. 1)

Request No. 7: Did you ever use, purchase, store, treat, dispose, transport or otherwise handle any hazardous substances or materials at the Site? If the answer to the preceding question is anything but an unqualified "no", identify:

- a. The chemical composition, characteristics, physical state (e.g., solid, liquid) of each hazardous substance;
- b. Who supplied you with such hazardous substances;
- c. How such hazardous substances were used, purchased, generated, stored, treated, transported, disposed or otherwise handled by you;

- d. When such hazardous substances were used, purchased, generated, stored, treated, transported, disposed or otherwise handled by you;
- e. Where such hazardous substances were used, purchased, generated, stored, treated, transported, disposed or otherwise handled by you; and
- f. The quantity of such hazardous substances used, purchased, generated, stored, treated, transported, disposed or otherwise handled by you.

Response: Based on our review of records, it is believed that certain processing activities were conducted at the Site relating to monazite. We respond as follows to the specific questions;

- a. Monazite ore and its constituents including primarily thorium and rare earth compounds were believed to be present at the Site. (Lindsay Light Company sold, and in some cases produced, other products such as methylene blue dye, cerium compounds, beryllium nitrate, titanium potassium oxalate, and metal & glass polish, but the records do not indicate either the extent the company may have produced or handled the materials or the locations except the records indicate Lindsay produced thorium mantles at 161 E. Grand and it produced a small amount of methylene blue dye at an unnamed location for a short period around 1920. Further, records suggest that Lindsay Light Company may have recovered mesothorium from the residues and converted the mesothorium-bearing barium compound into a form of carbonate. It is unknown as to whether or not this work was ever accomplished and, if so, at what location.) Attachment No. 2.
- b. Some monazite ore came from India. (Stockholders Letter of November 13, 1919) (Attachment No. 3)
- c. Unknown
- d. Lindsay Light leased the Illinois Street property apparently from 1915 to 1932 (Attachment No. 4). Precisely what operations were conducted is unknown.
- e. Unknown.
- f. Unknown

Request No. 8: Provide Respondent's financial statements for the past five fiscal years, including, but not limited to those filed with the Internal Revenue Service. In lieu of financial statements, the most current Annual Report may be submitted.

Response: Kerr-McGee Chemical Corporation and Subsidiaries Consolidated Financial Statements as of December 31, 1992 and 1991, Together With Report of Independent Public Accountants is attached as Attachment No. 5.

Request No. 9: State the dates during which you owned, operated or leased the Site and provide copies of all documents evidencing or relating to such ownership, operation, or lease arrangements (e.g., deeds, leases, etc.).

Response: The exact period of occupancy of Lindsay Light Company is unknown. However, the Board of Directors meeting of September 8, 1914, suggests that the lease from The Chicago Dock & Canal Company ran from January 1, 1915 to April 30, 1920. Renewals of the lease appear to have run until 1932. (Attachment No. 4).

Request No. 10: Provide information about the Site, including, but not limited to, the following:

- a. Property boundaries, including a written legal description;
- b. Location of underground utilities (telephone, electrical, sewer, water main, etc.);
- c. Surface structures (e.g., buildings, tanks, etc.);
- d. Ground water wells, including drilling logs;
- e. Storm water drainage system, and sanitary sewer system, past and present, including septic tank(s), subsurface disposal field(s), and other underground structures; and where, when and how such systems are emptied;
- f. Any and all additions, demolitions or changes of any kind on, under or about the Site, its physical structures or to the property itself (e.g., excavation work); and any planned additions, demolitions or other changes to the Site; and
- g. All maps and drawings of the Site in your possession.

Response:

- a. Property believed to be identified as 316-322 Illinois Street, Chicago, Illinois. Chicago Dock & Canal Trust believes their records show Lindsay leased 312-324 East Illinois during some of the period.
- b. Unknown

- c. Unknown
- d. Unknown
- e. Unknown
- f. Unknown
- g. See Attachment No. 7

Request No. 11: Identify the prior owners of the Site, including in particular the Lindsay Light Company. For each prior owner, further identify:

- a. The dates of ownership;
- b. All evidence showing that they controlled access to the Site;
- c. All evidence that a hazardous substance, pollutant, or contaminant, was released or threatened to be released at the Site during the period that they owned the Site; and
- d. The nature of prior business and operations at the Site.

Response: Prior owners of the Site are not known. Lindsay Light Company leased the site from Chicago Dock & Canal.

- a. Unknown
- b. Unknown
- c. Unknown
- d. Unknown

Request No. 12: Identify the prior operators, including lessors, of the Site, including in particular the Lindsay Light Company. For each such operator, further identify:

- a. The dates of operation;
- b. The nature of prior operations at the Site;
- c. All evidence that they controlled access to the Site; and
- d. All evidence that a hazardous substance, pollutant, or contaminant was released or threatened to be released at or from the Site and/or its solid waste units during the period that they were operating the Site.

Response: Lindsay Light Company leased the Site.

- a. Lindsay Light Company leased the Site from January 1, 1915, to probably into 1932 from Chicago Dock & Canal Company. (Attachment No. 4)
- b. Unknown
- c. Unknown
- d. Reference to fume nuisance at the Chemical Refinery is discussed in the Board Minutes of January 22, 1929. (Attachment No. 6)

Request No. 13: Describe in detail the use of this location (e.g., storage, manufacture, etc.).

Response: The Board Minutes attached hereto refer to the Illinois Street operations at different times as a manufacturing location, a monazite refinery, and a chemical plant.

Request No. 14: Provide all reports, information or data related to soil, water (ground and surface), or air quality and geology\carbonates at and about the Site. Provide copies of all documents containing such data and information, including both past and current aerial photographs as well as documents containing analysis or interpretation of such data.

Response: STS Consultants, Ltd. report of September 29, 1992. (Attachment No. 8)

Request No. 15: Identify all leaks, spills, or releases into the environment of any hazardous substances, pollutants, or contaminants that have occurred at or from the Site. In addition, identify:

- a. When such releases occurred;
- b. How the releases occurred;
- c. The amount of each hazardous substances, pollutants, or contaminants so released;
- d. Where such releases occurred;
- e. Any and all activities undertaken in response to each such release or threatened release, including the notification of any agencies or governmental units about the release.
- f. Any and all investigations of the circumstances, nature, extent or location of each release or threatened release including, the results of any soil, water

(ground and surface), or air testing undertaken; and

- g. All persons with information relating to these releases.

Response: Unknown (See Response to 12d)

- a. Unknown
- b. Unknown
- c. Unknown
- d. Unknown
- e. Unknown
- f. Unknown
- g. Unknown

Request No. 16: Was there ever a spill, leak, release or discharge of hazardous materials into any subsurface disposal system or floor drain inside or under the building? If the answer to the preceding question is anything but an unqualified "no", identify:

- a. Where the disposal system or floor drains were located;
- b. When the disposal system or floor drains were installed;
- c. Whether the disposal system or floor drains were connected to pipes;
- d. Where such pipes were located and emptied;
- e. When such pipes were installed;
- f. How and when such pipes were replaced, or repaired; and
- g. Whether such pipes ever leaked or in any way released hazardous materials into the environment.

Response: Unknown

- a. Unknown
- b. Unknown
- c. Unknown
- d. Unknown
- e. Unknown

- f. Unknown
- g. Unknown

Request No. 17: Did any leaks, spills or releases of hazardous materials occur on the Site when such materials were being:

- a. Delivered by a vendor;
- b. Stored (e.g., in any tanks, drums, or barrels);
- c. Transported or transferred (e.g., to or from any tanks, drums, barrels, or recovery units); or
- d. Treated.

Response:

- a. Unknown
- b. Unknown
- c. Unknown
- d. Unknown

Request No. 18: Has soil ever been excavated or removed from the Site? Unless the answer to the preceding question is anything besides an unequivocal "no", identify:

- a. Amount of soil excavated;
- b. Location of excavation;
- c. Manner and place of disposal and/or storage of excavated soil;
- d. Dates of soil excavation;
- e. Identity of persons who excavated or removed the soil;
- f. Reason for soil excavation;
- g. Whether the excavation or removed soil contained hazardous materials and why the soil contained such materials;
- h. All analysis or tests and results of analyses of the soil that was removed from the Site;
- i. All persons, including contractors, with information about (a) through (h) of this request.

Response: Unknown

- a. Unknown
- b. Unknown
- c. Unknown
- d. Unknown
- e. Unknown
- f. Unknown
- g. Unknown
- h. Unknown
- i. Unknown

Request No. 19: State the date or time period that this property became a parking lot. In addition, please describe what the property looked like and what it was used for from 1900 to the time it became a parking lot. Provide copies of maps or any other documents responsive to this request.

Response: Dates unknown. See Attachment No. 7.

CERTIFICATE

1. I, the undersigned, am the person authorized by Kerr-McGee Corporation to respond on behalf of Kerr-McGee Chemical Corporation to the United States Environmental Protection Agency Request for Information concerning the Lindsay Light II Site in Chicago, Illinois.
2. At my direction, a complete and thorough review of all known documents, information and sources relevant to the Request has been made.
3. Upon my best information and belief, the attached response to the United States Environmental Protection Agency Request is complete and contains all known pertinent information and documents responsive to the Request.

Dated this 3rd day of January, 1994.



W. O. Green, III
Staff Counsel

CERTIFICATE

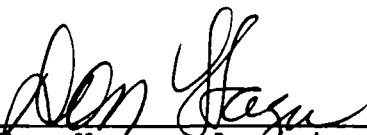
I, Don Hager, hereby certify that I am the duly elected, qualified and acting Assistant Secretary of KERR-McGEE CHEMICAL CORPORATION, a Delaware corporation, and in the absence of the Secretary, I maintain the corporate records and the corporate seal of said corporation.

I further certify that: (a) Lindsay Light Company was incorporated in Illinois on April 28, 1904 (b) On February 19, 1935 Lindsay Light Company changed its name to Lindsay Light & Chemical Company (c) On June 30, 1952 Lindsay Light & Chemical Company changed its name to Lindsay Chemical Company (d) on May 1, 1958 Lindsay Chemical Company merged into American Potash & Chemical Corporation, a Delaware corporation incorporated on June 4, 1926 and (e) On December 29, 1967 American Potash & Chemical Corporation merged into Kerr-McGee Corporation, a Delaware corporation.

I further certify that: (a) Ampot, Inc. was incorporated in Delaware on October 25, 1967 (b) on December 29, 1967 Ampot, Inc. changed its name to American Potash and Chemical Corporation to receive the assets of American Potash and Chemical Corporation, described in Item (e) above. (c) On October 1, 1970 American Potash and Chemical Corporation changed its name to Kerr-McGee Chemical Corp. and (d) on April 1, 1974 Kerr-McGee Chemical Corp. changed its name to Kerr-McGee Chemical Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said corporation this 14th day of December, 1993.

(Corporate Seal)


Don Hager, Assistant Secretary

STATE OF OKLAHOMA)
) ss.
COUNTY OF OKLAHOMA)

On this the 14th day of December, 1993, before me a notary public, personally appeared Don Hager who acknowledged himself to be the Assistant Secretary of Kerr-McGee Chemical Corporation, a Delaware corporation, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing as such officer.

In Witness Whereof, I hereunto set my hand and official seal.


Notary Public

My Commission Expires:
April 29, 1996

ATTACHMENT NO. 1

Proof of March 6, 1958

AMERICAN POTASH & CHEMICAL CORPORATION

99 PARK AVENUE

NEW YORK 16, NEW YORK

*copy submitted to Board of Directors
and approved
March 12, 1958
Joseph W. Fleen*

NOTICE OF ANNUAL AND SPECIAL MEETING OF STOCKHOLDERS

*To the holders of Class A, Common Stock and Preferred Stock of
AMERICAN POTASH & CHEMICAL CORPORATION:*

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting of Stockholders of American Potash & Chemical Corporation will be held in Room 5000, Chanin Building, 122 East 42nd Street, New York, New York, on the 29th day of April, 1958, at 10:00 A. M., Eastern Standard Time (11:00 A. M., Eastern Daylight Time) for the following purposes:

1. To elect directors for the ensuing year.
2. To consider and act upon a proposal recommended by the Board of Directors to amend the Certificate of Incorporation to (a) remove the restrictions upon issue and transfer of Common Stock; (b) change the designation of Class A Stock to Common Stock; (c) increase the number of authorized shares of Common Stock by the number of shares of Class A Stock now authorized; and (d) authorize the issuance of 3,750 shares of Special Preferred Stock. The text of the proposed amendment to the Certificate of Incorporation is included in the resolution to be presented to the meeting, which is attached as Exhibit A to the Proxy Statement accompanying this Notice.
3. To consider and act upon a proposal, recommended by the Board of Directors, that the engagement of Haskins & Sells as independent auditors of the Company for the ensuing year be ratified; and,
4. To consider and vote upon the adoption of the Agreement of Merger providing for the merger of Lindsay Chemical Company into American Potash & Chemical Corporation, a copy of which Agreement of Merger is attached as Exhibit B to the Proxy Statement accompanying this Notice, and to authorize the officers of the Company to take any further action necessary or desirable to make the merger effective.
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business March 14, 1958, will be entitled to vote at the meeting.

A list of the stockholders entitled to vote will be open for examination by any stockholder for ten days prior to the election at the New York office of the Company, 99 Park Avenue, New York 16, N. Y.

Please sign the accompanying proxy and return it at your earliest convenience in the enclosed business reply envelope.

A cordial invitation is extended to all stockholders to attend this meeting.

By Order of the Board of Directors.

FREDERICK MARSIC,
Secretary

Dated: March 21, 1958

PROXY STATEMENT

AMERICAN POTASH & CHEMICAL CORPORATION

ANNUAL AND SPECIAL MEETING OF STOCKHOLDERS

APRIL 29, 1958

Room 5000, Chanin Building

122 EAST 42ND STREET, NEW YORK 17, N. Y.

10:00 A.M. EASTERN STANDARD TIME

(11:00 A.M. EASTERN DAYLIGHT TIME)

PERSONS MAKING THE SOLICITATION

This Proxy Statement is furnished in connection with the solicitation by the management of American Potash & Chemical Corporation (the "Company") of proxies to be used at the Annual and Special Meeting of Stockholders of the Company to be held on April 29, 1958, for the purposes set forth in the accompanying Notice. All expenses in connection with the solicitation of proxies will be borne by the Company.

In addition to the solicitation of proxies by use of the mails, the Company will retain Georgeson & Co., New York, N. Y., to aid in the solicitation of proxies. For these services, the Company will pay Georgeson & Co. a fee not to exceed \$5,000, including expenses. The Company will also reimburse brokers, nominees and fiduciaries for the out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of stock held in their names.

REVOCABILITY OF PROXY

Any stockholder giving a proxy may revoke the same at any time prior to exercise.

VOTING SECURITIES

The voting securities entitled to vote at the meeting are 10,401 $\frac{1}{4}$ shares of Class A Stock and 1,898,042 $\frac{1}{4}$ shares of Common Stock, entitled to one vote per share. In addition, the holders of 50,716 shares of \$4.00 Cumulative Preferred Stock, Series A, ("Series A Preferred Stock") will be entitled to one vote per share on the proposal set forth in Clause 4 of the proxy, approving the merger of Lindsay Chemical Company into the Company. The record date for the determination of security holders entitled to vote at the meeting is March 14, 1958.

ACTION TO BE TAKEN UNDER THE PROXY

Unless otherwise directed by the giver of the proxy, the shares represented by proxies which are duly executed and received by the Company prior to the meeting will be voted (a) for the election of the nine persons named below as nominees for directors, (b) for the proposal set forth in Clause 2 of the proxy, (c) for the proposal set forth in Clause 3 of the proxy, (d) for the proposal set forth in Clause 4 of the proxy, and (e) in the transaction of such other business as may come before the meeting, but it is intended that, as to any such other matter or business, a vote may be cast pursuant to the accompanying proxy in accordance with the judgment of the person or persons voting the same. Should any nominee for the office of director become unable to act as a director, it is intended that the persons named in the proxy will vote for the election of such other person as the Board of Directors shall recommend.

I. NOMINEES FOR ELECTION AS DIRECTORS AND OWNERSHIP OF SECURITIES

At the meeting, nine directors constituting the entire Board of Directors of the Company will be elected for a term of one year. In the event the merger hereinafter described becomes effective, it is contemplated that the Board of Directors will thereafter be increased from nine to ten and that Mr. Charles R. Lindsay, III will be added to the Board.

The names of the persons nominated for election as directors, their principal occupations, the years in which they first became directors of the Company and the approximate amount of securities of the Company beneficially owned, directly or indirectly, by them, respectively, as of March 11, 1958, are shown in the following table. Each of the nominees for director was elected director by the stockholders at the Annual Meeting held April 30, 1957, for a term of one year, with the exception of Parker S. Dunn. On January 10, 1958, the Board amended the By-Laws to provide for nine directors and elected Mr. Dunn to fill the vacancy thus created. Mr. Dunn joined the Company in 1951 and has been a Vice President since November, 1952.

<u>Name</u>	<u>Principal Occupation</u>	<u>Year First Became Director</u>	<u>Equity Securities Beneficially Owned Directly or Indirectly as of March 11, 1958</u>
Lloyd L. Austin.....	President and Director Security- First National Bank, Los Angeles	1953	..... Shares of Common Stock
Peter Colefax	President of Company	1935	..... Shares of Common Stock
Robert B. Coons.....	Vice President of Company	1954	..... Shares of Common Stock
Daniel S. Dinsmoor.....	Vice President of Company	1952	..... Shares of Common Stock
Parker S. Dunn.....	Vice President of Company	1958	..... Shares of Common Stock
William S. Glazier.....	Partner, Lehman Brothers	1946	..... Shares of Common Stock
William J. Hutchinson.....	Director, The International Nickel Company of Canada, Limited	1956	..... Shares of Common Stock
Willard P. Scott.....	Vice President of Company and Partner, Oliver & Donnally	1951	..... Shares of Common Stock
Rudolph E. Vogel.....	Partner, Glore, Forgan & Co.	1946	..... Shares of Common Stock

In addition, a trust of which Mr. Glazier is one of the trustees and in which he has a partial contingent beneficial interest owns shares of Common Stock.

None of the nominees beneficially owns, directly or indirectly, any class of securities of the Company or its subsidiaries other than the shares listed above.

None of the nominees beneficially owns, directly or indirectly, any shares of stock of Lindsay Chemical Company, nor has any of them received any remuneration from said corporation, according to information furnished to the Company, except as follows:

[Here insert any exceptions]

REMUNERATION OF OFFICERS AND DIRECTORS BY THE COMPANY AND ITS SUBSIDIARIES IN 1957

Name of Individual or Identity or Group	Capacities in Which Remuneration Was Received	Aggregate Remuneration*	Amount Set Aside or Accrued for Pension or Retirement Payments	Proposed Annual Benefits at Retirement Age**
Peter Colefax	President, Director	\$ 71,350	\$ 8,514	\$20,000
Robert B. Coons	Vice President, Director	\$ 31,450	\$ 3,940	\$ 6,300
Parker S. Dunn	Vice President	\$ 35,000	\$ 3,230	\$11,003
Willard P. Scott	Vice President, Director	\$ 31,350	\$ —	\$ 6,876
All Directors and Officers.....		\$371,175	\$36,325	\$92,417

* Does not include remuneration paid to partnerships of which directors are members. (See below.)

** These annual retirement benefits are calculated at the present rates of salaries and on the assumption that the persons named reach the retirement age of 65 while still in the employ of the Company.

Continuing a program initiated in 1954, the Company entered into annual employment agreements with certain of its officers in 1957 covering their services for the current year and providing for payment upon their retirement of limited annuities to them or their beneficiaries which are not reflected in the above table. To provide funds for the payment of the annuities, the Company purchased annuity contracts which will remain the property of the Company and the value of which will revert to the Company if the conditions contained in the employment agreements are not fully met.

Payments to the individuals concerned are contingent upon their remaining in the Company's employ until retirement age, continuing to be available thereafter for consultation, and refraining from engaging in any activity in competition with the Company. The annual payments under the agreements entered into to date, if all conditions are met, will amount to \$2,692 in the case of Peter Colefax, \$1,118 for Robert B. Coons, \$325 for Parker S. Dunn, and \$5,963 for the five officers collectively who participated in this program. The premiums on the annuity contracts in 1957 amounted to \$23,031 for all of the officers. The cost of the annuity contracts may be deducted by the Company as an expense for income tax purposes only to the extent and at the time the annuity payments are made.

The annuities commence upon retirement at age sixty-five and, in the event of death within ten years after retirement, will be continued to the beneficiary until the expiration of such ten years. In the event of retirement between ages sixty and sixty-five, actuarially reduced payments will be made. The annuity contracts include provision for death benefits, in the event of death before retirement, in amounts which are proportionate to the annuities to be paid.

During the year, the Company paid \$72,079 to the firm of Oliver & Donnally, of which Mr. Willard P. Scott is a partner, for legal services for the Company and its subsidiaries, including the conduct of certain litigation. This amount does not include the salary paid to Mr. Scott during the year, which is included in the aggregate remuneration of officers and directors shown above. Mr. Joseph W. Keena, another partner, is an Assistant Secretary of the Company.

If the merger of Lindsay Chemical Company into the Company is accomplished, Lehman Brothers, of which Mr. William S. Glazier is a partner, will be paid a fee of \$200,000 for its advice and services in connection therewith.

STOCK OPTIONS

In 1957, the Company's Stock Option Committee granted to certain officers and employees options to purchase shares of Common Stock of the Company, pursuant to the Supplementary Restricted Stock Option Plan for Officers and Key Executive Employees adopted at the Annual Meeting of Stockholders of the Company, April 24, 1956. Options were granted at an exercise price of \$49.40 per share, which was 95% of the closing market price of \$52.00 per share on April 30, 1957, the date of granting such options.

All options are for a term of seven years but may not be exercised for more than 25% of the number of shares subject to the option in any one year following the date of granting except that the holder may purchase in a subsequent year shares to which he was entitled but theretofore failed to purchase. The options are

non-assignable and may be exercised only by the holder, or in case of his death, by his legal representative within nine months thereafter or until the option expires, whichever event is earlier. In case of termination of employment the option shall terminate except that in certain cases of voluntary resignation or retirement it may be exercised within six months thereafter. No option may be exercised later than seven years from the granting.

In consideration of the granting of the option, each holder agreed to remain in the Company's employ for at least two years from the date of the option and agreed that any shares acquired upon exercise of his option would be acquired for investment.

OPTIONS TO PURCHASE COMMON STOCK GRANTED UNDER THE COMPANY'S SUPPLEMENTARY RESTRICTED STOCK OPTION PLAN ADOPTED APRIL 24, 1956

	Number of Shares Covered by Options—	
	1957	Since Inception of Plan*
Peter Colefax	800	1,830
Robert B. Coons.....	300	712
Parker S. Dunn.....	200	715
Willard P. Scott.....	500	2,045
All Officers	4,100	10,022
All Employees (Including Officers).....	9,050	17,186

No options granted under this plan have been exercised by any officer to date.

OPTIONS EXERCISED UNDER THE RESTRICTED STOCK OPTION PLAN ADOPTED APRIL 24, 1951

Options exercised since January 1, 1957, under the substantially similar Restricted Stock Option Plan adopted April 24, 1951 (for shares already subject to option when the Supplementary Restricted Stock Option Plan was adopted April 24, 1956), have been as follows:

	Date Exercised	Number of Shares	Purchase Price	Market Value on the Date of Exercise
Robert B. Coons.....	May 13, 1957	368	\$14.109	\$56.875
	July 11, 1957	133	\$27.758	\$61.00
Parker S. Dunn.....	January 31, 1957	500	\$14.109	\$53.25
	May 13, 1957	385	\$14.109	\$56.875
All Officers.....		3,879	Varied from \$14.109 to \$27.758	Varied from \$41.75 to \$61.00

No options have been granted to directors who are not also officers of the Company.

The Company paid a 10% stock dividend on January 7, 1955, a 4% stock dividend on January 9, 1956 and a 3% stock dividend on January 9, 1957 and, in accordance with the amendment to the Certificate of Incorporation adopted at the Annual Meeting April 24, 1956, a 2½ for 1 split of outstanding Class A Stock and Common Stock was effected April 25, 1956. The number of shares subject to outstanding options granted under the Restricted Stock Option Plan adopted April 24, 1951, was thereupon, in accordance with their terms, required to be increased and the cash consideration per share decreased. Similar adjustments were made with respect to both the number of shares subject to outstanding options and shares as to which no options have yet been granted under the Supplementary Restricted Stock Option Plan adopted April 24, 1956.

* Includes 3% stock dividend paid January 9, 1957.

II. PROPOSED AMENDMENTS TO THE CERTIFICATE OF INCORPORATION

PURPOSE AND EFFECT

At a meeting held February 21, 1958, the Board of Directors of the Company declared advisable and recommended to stockholders an amendment to Article Fourth of the Certificate of Incorporation, providing for the issuance of Special Preferred Stock as hereinafter set forth: deleting therefrom the following sections of Subdivision II, Section 1, which imposes certain restrictions on the issue and transfer of Common Stock, Section 2, which states the relative rights of Class A Stock and Common Stock (equal in all respects except for the aforesaid restrictions and except that Common Stock is not exchangeable for Class A Stock), and Section 3, which authorizes the use of appropriate certificates for each class. The amendment would change the designation of each share of Class A Stock to Common Stock and would change the authorized voting stock from 48,664 shares of Class A Stock and 2,951,336 shares of Common Stock to a total of 3,000,000 shares of Common Stock. If the amendment is adopted, there will be only one class of voting stock authorized. There will be no change in the total number of shares of voting stock authorized or in the number outstanding.

The proposed amendment will result in no change in the aggregate amount of the capital account of the Company represented by the issued Class A Stock and Common Stock and no change in the surplus account of the Company.

The restrictions upon the issue and transfer of Common Stock (being the stock vested by the Alien Property Custodian in 1942 and stock thereafter issued) were included in the Certificate of Incorporation by amendment to ensure compliance with certain conditions in a consent judgment entered against the Company on February 12, 1946. On April 16, 1957, the consent judgment was amended to remove the restrictions from the issue and transfer of stock. Accordingly it is no longer necessary or desirable to impose restrictions in the Certificate of Incorporation upon issue and transfer of Common Stock. The removal of these restrictions does not affect the provisions of the federal statutes (30 U. S. C. Secs. 181, 184) which prohibit citizens of countries that do not give similar rights to citizens of the United States from owning, by stock ownership or stock control, any interest in any lease acquired under the statute.

As a consequence of this change, Class A Stock will be redesignated Common Stock.

SPECIAL PREFERRED STOCK

The proposed amendment to Article Fourth of the Certificate of Incorporation provides for the issuance of 3,750 shares of Special Preferred Stock (no par value). The Special Preferred Stock is to be exchanged for Lindsay Chemical Company 7% Cumulative Preferred Stock in accordance with the Agreement of Merger set forth as Exhibit B.

The amendment would increase the number of shares that the Company is authorized to issue by 3,750 shares of Special Preferred Stock, which would have preference over the Common Stock with respect to dividends and liquidation rights, but would be subordinate to the Series A Preferred Stock. A brief description of the terms of the Special Preferred Stock may be found on page of this Proxy Statement.

TEXT OF AMENDMENTS

The complete ~~text~~ of the proposed amendments to the Certificate of Incorporation is set forth as Exhibit A. The affirmative vote of the holders of a majority of the outstanding Class A Stock and Common Stock is required for the adoption of the amendments. The amendments will become effective upon the filing and recording of the Certificate of Amendment to the Certificate of Incorporation as required by the Laws of Delaware. If the amendments are so adopted at the Annual and Special Meeting on April 29, 1958, it is expected that the Certificate of Amendment will be so filed and recorded shortly thereafter.

III. SELECTION OF AUDITORS

The Board of Directors will recommend to the meeting that a resolution be adopted ratifying the engagement of Haskins & Sells as independent auditors of the Company for the ensuing year. This firm has acted as such auditors since July, 1952.

IV. MERGER OF LINDSAY CHEMICAL COMPANY INTO AMERICAN POTASH & CHEMICAL CORPORATION

Your Board of Directors recommends approval of the merger of LINDSAY CHEMICAL COMPANY, ("Lindsay") into AMERICAN POTASH & CHEMICAL CORPORATION ("American Potash") pursuant to the Agreement of Merger dated as of February 21, 1958, approved by the boards of directors of both corporations, a copy of which is set forth in full as Exhibit B hereto. It is believed that the merger will provide further diversification of the business of American Potash in an area that is complimentary to its present operations and that the research and market development departments of American Potash can contribute significantly to an expansion of Lindsay's market. It is not believed that such results can be obtained promptly but rather over a period of years.

PLAN OF MERGER

The proposed merger will require the affirmative vote of two-thirds of all the outstanding shares of Class A Stock and of Common Stock of American Potash, voting together without regard to class, and of a majority of the outstanding shares of Series A Preferred Stock, voting as a class. The favorable vote of the holders of two-thirds of the outstanding shares of the Common Stock and of the 7% Cumulative Preferred Stock of Lindsay, each voting as a class, will also be required to effect the merger.

The proposed merger of Lindsay into American Potash will become effective upon the filing and recording of the Agreement of Merger in accordance with the laws of the State of Delaware and upon the filing of Articles of Merger in the office of the Secretary of State of Illinois, in which state Lindsay is incorporated, in accordance with the laws of Illinois. American Potash is to be the Surviving Corporation.

American Potash has three classes of securities authorized: Common Stock of which 2,951,336 shares are authorized and 1,898,042 $\frac{1}{4}$ shares outstanding, Class A Stock of which 48,664 shares are authorized and 10,401 $\frac{1}{4}$ shares are outstanding, and Series A Preferred Stock, of which 53,200 shares are authorized, 50,716 shares are issued and outstanding and 2,484 shares are held in the treasury of American Potash, the reissue of which is prohibited.

By an amendment to the Certificate of Incorporation to be submitted to the stockholders of American Potash at the Annual Meeting, it is proposed, (i) that the Class A Stock be redesignated as Common Stock and (ii) that 3,750 shares of Special Preferred Stock be authorized.

Lindsay has two classes of securities authorized: Common Stock (\$1 par value) of which 1,000,000 shares are authorized and 361,614 shares are outstanding, and 7% Cumulative Preferred Stock (par value \$2.00), of which 125,000 shares are authorized and outstanding.

The Agreement of Merger provides:

(a) that each outstanding share of Common Stock of Lindsay shall be converted into one share of Common Stock of American Potash.

(b) that each outstanding share of Preferred Stock of Lindsay shall be converted into three one-hundredths of a share of Special Preferred Stock of American Potash.

The firm of Lehman Brothers initiated the merger negotiations and assisted the boards of directors of the two companies in working out the financial aspects of the merger, including the basis for the exchange of stock of Lindsay for that of American Potash. Lehman Brothers has advised the boards of both companies that in its opinion the terms of the merger are fair and equitable to the stockholders of both companies. This firm has served as financial advisor to American Potash since 1951 and to Lindsay since 1954, and is fully informed as to the business and financial affairs of both companies. The Board of Directors of American Potash took into account the market prices and earnings records of the respective securities as set forth herein, together with other aspects and potentialities of the respective businesses, including the recent decline in sales and earnings of Lindsay. In the case of the Preferred Stock of Lindsay, consideration was also given to the fact that the holders would surrender voting privileges and the non-callable feature.

The terms and provisions of the Common Stock, Series A Preferred Stock, and Special Preferred Stock of the Surviving Corporation (to be outstanding after the merger) are described hereafter.

With American Potash as the Surviving Corporation, the separate corporate existence of Lindsay will cease; the Surviving Corporation will own the assets of Lindsay and will be subject to all its liabilities.

Holders of the outstanding shares of American Potash will continue to retain such shares.

All outstanding shares of Common Stock of American Potash are listed both on the New York Stock Exchange and the Pacific Coast Stock Exchange. The Common Stock of Lindsay is listed on the Midwest Stock Exchange. Application will be made to list on the New York Stock Exchange and the Pacific Coast Stock Exchange all shares of Common Stock of the Surviving Corporation to be issued upon the merger. The listing on the Midwest Stock Exchange of the shares of Common Stock of Lindsay will be discontinued upon the merger.

Dividends payable on shares of stock of the Surviving Corporation which are represented by certificates of Common Stock and of Preferred Stock of Lindsay will not be distributed until the surrender of such certificates in exchange for certificates of the Surviving Corporation, but will be held until such surrender and thereupon paid to the holder of record at that time. Lindsay stockholders will be advised of the time, shortly after the merger becomes effective, when exchanges of stock certificates may begin.

Neither fractional shares, nor scrip certificates therefor, will be issued to the holders of Preferred Stock of Lindsay. In lieu of issuance of fractional shares of Special Preferred Stock, there will be paid to the holders of Preferred Stock of Lindsay who would otherwise be entitled to a fractional share, the cash equivalent for such fractional interest calculated on the basis of one hundred dollars for each share of Special Preferred Stock to which such stockholders would, on the basis of the conversion ratio, be entitled.

Application has been made to the Commissioner of Corporations of California for a permit to issue the Common Stock and Special Preferred Stock in connection with the merger.

Stock Option Plans

Upon the effective date of the merger, each outstanding option to purchase Common Stock of Lindsay granted under the Lindsay Stock Option Incentive Plan for Key Employees will be converted into an option to purchase an equal number of shares of Common Stock of American Potash at the price determined by the Lindsay stock option contracts. The conversion of such outstanding options to purchase shares of Common Stock of American Potash will not diminish or reduce the number of shares of Common Stock of American Potash for which options may be granted pursuant to the Restricted Stock Option Plan of American Potash approved April 24, 1956, but no further options may be granted under the Lindsay Stock Option Incentive Plan for Key Employees. When the merger becomes effective, the total number of shares of the Surviving Company authorized for stock options will be increased by 7,900.

At an annual meeting on March 28, 1957, the stockholders of Lindsay approved a Stock Option Incentive Plan to authorize restricted options on an aggregate of not more than 15,000 shares of Common Stock of Lindsay to a limited number of officers and executive employees. Pursuant to this stock option plan, Lindsay on entered into stock option contracts covering 7,900 shares of Common Stock. The option price was \$ per share for all optionees, except for Charles R. Lindsay, III for whom the option price was \$ per share. Options for 5,700 shares were granted to the officers and directors as a group. Options for 4,100 shares were granted to employee directors, of whom Mr. Lindsay received an option for 1,200 shares.

Each such option is generally exercisable by the employee to whom granted within the period commencing eighteen months from the date of the grant and ending six years from such date. The option price is in all cases equivalent to at least 95% of the average price of sale on the Midwest Stock Exchange on the date the option was granted. According to the option contracts, not more than one-third of the optioned shares may be purchased until the expiration of 18 months from the date of the grant, not more than an additional one-third

of the optioned shares may be purchased until the expiration of 36 months from such date, and the remaining one-third of the optioned shares may not be purchased until the expiration of 54 months from such date. In each option agreement the grantee undertakes, as consideration for the grant of the option, to continue in the employ of Lindsay for a period of eighteen months from the date of granting the option. The options are non-assignable and may be exercised only by the holder, and only if the optionee is then in the employ of Lindsay. If the optionee dies while so employed, the option may be exercised by his estate for a period of 120 days after his death, but not after termination of the option period.

Pension Trust and Retirement Plan

As described below, Lindsay has a Pension Trust and a Supplementary Retirement Plan for eligible employees. If the merger becomes effective, American Potash expects to continue these arrangements in effect so long as it continues its own retirement plan or until such arrangements are superseded by others which provide substantially equal benefits.

Pension Trust: The Lindsay Pension Trust is a contributory plan under which the employee and Lindsay each contribute 5% of "basic annual salary", defined to be 90% of the participant's salary. The contribution of Lindsay for the year 1957 was \$13,850. The participating employees contributed a like sum.

Every employee whose compensation is fixed at a stated amount weekly, semi-monthly or monthly and who completes at least two years' continuous employment with Lindsay is eligible for participation under the Pension Trust. Employees whose compensation is fixed at a stated amount per hour, per day or per piece of work, or otherwise, are not eligible. The amount of monthly pension payable to each participant at the retirement age of 65 for men and 60 for women is that which the total contributions made by the participant and Lindsay to his account, invested pursuant to the Trust, will produce at retirement age. Eligibility for continued participation ceases with the termination of a participant's employment for any cause whatsoever.

Supplementary Retirement Plan. The Lindsay stockholders on March 28, 1957 approved a Supplementary Retirement Plan to provide additional retirement benefits to each eligible employee. All salaried employees over the age of 30 and under the age of 65 years, who are participants under the Lindsay Pension Trust were eligible upon completion of at least two years and nine months employment, except that after adoption of the plan males over 61 and females over 56 do not become eligible for participation. The annual retirement benefit is one-half of 1% of the employee's annual salary rate as of January 1, 1957 multiplied by the number of complete years of service from the date of employment to the date of normal retirement at age 65. The base for computing service credits for years subsequent to 1957 will reflect increases in salary after January 1, 1957, but only with respect to the year or years after they have become effective. Contributions made by Lindsay are paid to the trustees of the plan, who may use such funds to provide monthly pensions and to protect the actuarial soundness and financial stability of the plan through the use of annuity contracts or deposit administration contracts with an accredited insurance company or the retention and investment of the funds in the trust or by a combination of such methods. The current cost, including amortization of past service, for the Supplementary Retirement Plan is \$45,309.06 a year.

DESCRIPTION OF SECURITIES OF THE SURVIVING CORPORATION

The proposed amendments to the Certificate of Incorporation to be acted upon by the shareholders of American Potash at its Annual Meeting include the removal of the restrictions upon issue and transfer of Common Stock; changing the designation of Class A Stock to Common Stock; increasing the number of authorized shares of Common Stock by the number of shares of Class A Stock now authorized; and the authorization of 3,750 shares of Special Preferred Stock. Assuming that the proposals are favorably voted upon, there will be authorized after the merger becomes effective, 53,200 shares of Series A Preferred Stock, 3,750 shares of Special Preferred Stock, and 3,000,000 shares of Common Stock. There will be outstanding all of the authorized Series A Preferred Stock, of which 2,484 shares are held in the treasury and their reissue prohibited, all of the authorized shares of Special Preferred Stock, and 2,270,058 shares of Common Stock.

The following is a summary of certain provisions contained in the Certificate of Incorporation, as amended and in proposed amendments to the Certificate of Incorporation of American Potash and in the Financing Agreement dated July 1, 1954 between American Potash, Searles Valley Development Company, and Security-First National Bank of Los Angeles ("Financing Agreement"), the latter of which was filed with the Securities and Exchange Commission as an exhibit to Registration Statement No. 2-11429, effective March 8, 1955. These summary statements do not purport to be complete and are qualified in their entirety by reference to the full text of the aforesaid documents.

Series A Preferred Stock

The Series A Preferred Stock is of no par value, is callable at the option of the Surviving Corporation, and has no voting rights except under certain circumstances. The holders of such stock are entitled to receive cumulative dividends of \$4.00 per share per annum and to have certain sums set aside for the sinking fund before dividends may be declared on junior stock. The Certificate of Incorporation contains further restrictions on dividends on and purchase of junior stock as long as there is outstanding any Series A Preferred Stock.

For a summary of these rights, privileges and restrictions, see the summary of the provisions relating to Class A Stock and Common Stock.

Special Preferred Stock

Dividends. After full cumulative dividends on the Series A Preferred Stock have been paid or set aside and after all amounts required to be set aside for the Series A Preferred Stock sinking fund have been so set aside, the holders of Special Preferred Stock will be entitled to receive cash dividends at the rate of \$5.00 per share per annum before any distribution, whether by way of dividends or otherwise, shall be declared, paid or set aside for Common Stock or any other stock junior to the Special Preferred Stock. Dividends on the Special Preferred Stock will be cumulative from April 1, 1958.

Redemption. The Special Preferred Stock is redeemable in whole or in part at the option of American Potash at any time on at least 30 days' notice at \$108.00 per share if redeemed on or before December 31, 1960; \$106.00 per share if redeemed thereafter and on or before December 31, 1963; \$104.00 per share if redeemed thereafter and on or before December 31, 1966; \$103.50 per share if redeemed thereafter and on or before December 31, 1969; \$103.00 per share if redeemed thereafter and on or before December 31, 1972; \$102.50 per share if redeemed thereafter and on or before December 31, 1975; \$102.00 per share if redeemed thereafter and on or before December 31, 1978; \$101.50 per share if redeemed thereafter and on or before December 31, 1981; \$101.00 per share if redeemed thereafter and on or before December 31, 1984; \$100.50 per share if redeemed thereafter and on or before December 31, 1987; and if redeemed at any time thereafter at \$100.00 per share, plus, in each case, an amount equal to accumulated unpaid dividends to the date of redemption.

While any of the Series A Preferred Stock is outstanding, the Special Preferred Stock may not be redeemed in accordance with the above provisions if the full cumulative dividends upon the Series A Preferred Stock have not been paid or the provisions of the Series A Preferred Stock sinking fund have not been fulfilled.

American Potash has no present intention of redeeming the Special Preferred Stock.

Liquidation Rights. Holders of the Special Preferred Stock are entitled, after all payments to which holders of the Series A Preferred Stock are entitled shall have been made, to receive, upon voluntary dissolution or winding up, an amount equal to the then current redemption price (as set forth under "Redemption" above), and upon involuntary liquidation, dissolution or winding up, to \$100 per share, plus, in each case, an amount equal to accrued dividends whether or not earned or declared. When the Special Preferred Stock has been paid in full, the remaining assets shall be distributed among the holders of the Common Stock and any other stock junior to the Special Preferred Stock.

Restriction on Certain Corporate Action. So long as any Special Preferred Stock shall be outstanding, American Potash may not, without the consent given in writing, to the extent permitted by the laws of the State of Delaware, or the affirmative vote of the holders of at least two-thirds of the outstanding shares of Special Preferred Stock.

(1) alter, change or repeal, the voting powers, designations, preferences or relative, participating, optional or other special rights of the Special Preferred Stock, or the qualifications, limitations or restrictions thereof or any other provisions of the Certificate of Incorporation so as to affect such stock adversely; or

(2) increase the authorized number of shares of Series A Preferred Stock or Special Preferred Stock or authorize any new class of stock having preference over, or being on a parity with, the Special Preferred Stock, or being convertible into the Special Preferred Stock or any such new class of stock.

General. The Special Preferred Stock has no sinking fund provisions, no pre-emptive rights, and no voting rights, except the limited voting rights mentioned above, and will be fully paid and non-assessable upon exchange for Preferred Stock of Lindsay.

Class A Stock and Common Stock

The Class A Stock and the Common Stock are identical in all respects except that (a) Class A Stock is exchangeable at the option of the holder thereof into full paid and non-assessable Common Stock on a share-for-share basis, but Common Stock is not exchangeable into Class A Stock, and (b) while outstanding Class A Stock is transferable without restriction, outstanding Common Stock is not so transferable. Outstanding Common Stock and Series A Preferred Stock and authorized but unissued Common Stock are not issuable or transferable, to any of the following:

(i) any person who, prior to October 20, 1942, was a director or officer of American Potash or any of its subsidiaries;

(ii) any of the record or beneficial owners of the vested stock in American Potash immediately preceding the vesting of such stock by the Alien Property Custodian pursuant to Vesting Order No. 249, as amended [7 Fed. Reg. 8757 (Oct. 29, 1952); 7 Fed. Reg. 9798 (Nov. 25, 1942)];

(iii) any of the defendants other than American Potash named in the anti-trust proceedings initiated by the United States of America against (a) Borax Consolidated, Ltd., et al., in the United States District Court for the Northern District of California, Southern Division (Civil Action No. 23690-G and Criminal No. 28900-S); (b) American Potash & Chemical Corporation, et al., in the United States District Court for the Southern District of New York (Civil Action No. 8-493);

(iv) any person, corporation, or other business enterprise to whom ownership of any interest in any lease by stock ownership, stock holding, or stock control is proscribed by Sections 1 and 27 of the Act of February 25, 1920, C. 85, 41 Stat. 437, as amended, (30 U. S. C. § 181, 184);

(v) any lessee other than American Potash of federally-owned potash deposits or lands, or any officer or director of such lessee;

provided, however, that the restrictions contained in clauses (i), (ii), (iii), (iv), and (v) above shall not be applicable to any person, who on February 12, 1946, was an officer, director or employee of American Potash or of any of its subsidiaries.

One of the ~~proposed~~ amendments to the Certificate of Incorporation to be acted upon by the shareholders of American Potash at the Annual Meeting is the removal of the above restrictions upon issue and transfer of Common Stock from the Certificate of Incorporation.

Dividend Rights

Subject to the prior rights of the holders of Series A Preferred Stock to receive cumulative dividends at the rate of \$4 per share per annum, to the sinking fund requirements of the Series A Preferred Stock, to the rights of the holders of Special Preferred Stock to receive cumulative dividends at the rate of \$5 per share per annum, and to the limitations referred to below under "Restrictions in Financing Agreement" and "Restrictions in Certificate of Incorporation", dividends may be paid to the holders of Class A Stock and Common Stock. The Series A Preferred Stock sinking fund requires the setting aside for application

to purchase or redemption of outstanding Series A Preferred Stock of an amount equal to 3 per cent of the amount obtained by multiplying the greatest number of shares of Series A Preferred Stock outstanding at any one time by the sinking fund redemption price per share in effect, as follows: \$100.75 on or before April 1, 1958; \$100.50 thereafter and on or before April 1, 1961; \$100.25 thereafter and on or before April 1, 1962; and \$100 thereafter; together in each case with accrued dividends to the redemption date. No shares of Series A Preferred Stock redeemed, purchased or retired may be reissued.

Restrictions in Financing Agreement

The Financing Agreement requires American Potash to maintain a consolidated net worth of \$18,000,000 and a consolidated net working capital of \$2,000,000.

Restrictions in Certificate of Incorporation

So long as any Series A Preferred Stock shall be outstanding, American Potash may not declare dividends on its Class A Stock or Common Stock (except dividends payable in stock of American Potash junior to Series A Preferred Stock), or purchase any Class A Stock or Common Stock or such junior stock, or make any distributions on its Class A Stock or Common Stock or such junior stock, by reduction of capital stock or otherwise, if after giving effect thereto, the aggregate of such dividends and the amounts applied to such purchase or so distributed and all such other dividends and amounts applied to such purchases or so distributed subsequent to December 31, 1946 shall exceed the sum of (a) consolidated net earnings of American Potash subsequent to December 31, 1946, (b) the sum of \$1,500,000, and (c) the cash proceeds of the sale of any Class A Stock or Common Stock or any such junior stock subsequent to December 31, 1946 and the fair value of any property other than cash received on such sales, less the sum of (i) dividends payable in respect of such period on, and (ii) any sums required to be set aside during such period as a sinking fund for the Series A Preferred Stock; provided, however, that such restriction shall not prevent American Potash from purchasing Class A Stock or Common Stock or any such junior stock and applying thereto an amount not greater than the aggregate of the cash proceeds of the sale of any additional Class A Stock or Common Stock or any such junior stock sold subsequent to December 31, 1946 and the fair value of any property other than cash received on any such sale. As of March 1, 1958, \$ of earned surplus was unrestricted under the Certificate of Incorporation.

Voting Rights

If at any time dividends upon Series A Preferred Stock shall be in arrears for four or more quarterly periods or if any installment of the sinking fund for Series A Preferred Stock shall be in arrears for a period of one year or more, the holders of Series A Preferred Stock will be entitled to increase the Board of Directors by two and elect two directors until all defaults have been cured. Subject to such voting rights of Series A Preferred Stock, and except for the right of holders of Series A Preferred Stock and Special Preferred Stock to vote as classes on certain corporate action, as provided in the Certificate of Incorporation, and, except as otherwise may be required by law, the holders of Class A Stock and of Common Stock exclusively possess the voting power of American Potash for the election of directors and for all other purposes, each holder being entitled to one vote for each share of Class A Stock or Common Stock held by him.

As long as any of the Series A Preferred Stock shall be outstanding, American Potash may not, without the consent given in writing to the extent permitted by the laws of the State of Delaware or the affirmative vote of the holders of at least two-thirds of the shares,

(i) alter, change or repeal the voting powers, designations, preferences or relative, participating, optional or other special rights of the Series A Preferred Stock, or the qualifications, limitations or restrictions thereof or any other provisions of the Certificate of Incorporation of American Potash so as to affect such stock adversely;

(ii) increase the authorized number of shares of Series A Preferred Stock or authorize any new class of stock having preference over, or being on a parity with, Series A Preferred Stock, or being convertible into Series A Preferred Stock or any such new class of stock;

(iii) sanction or permit any subsidiary to issue any preference stock otherwise than to American Potash or another subsidiary or to increase its common stock unless American Potash or another subsidiary acquires such additional stock or such part of such additional stock as is proportionate to the part of such stock then owned by American Potash or by another subsidiary;

(iv) create, assume or guarantee, or permit any of its subsidiaries to create, assume or guarantee, any funded debt unless after giving effect to such creation, assumption or guarantee, the consolidated net tangible assets of American Potash and its subsidiaries, as of a date not more than six months prior to such proposed creation, assumption or guaranty, shall have been at least two times the sum of (a) the consolidated funded debt of American Potash and its subsidiaries including all funded debt then proposed to be created, assumed or guaranteed, (b) the aggregate amount of the involuntary liquidation value of all shares of Series A Preferred Stock and all stock having preference over, or being on a parity with, Series A Preferred Stock issued and outstanding, and (c) the aggregate amount of the involuntary liquidation value of all shares of preference stock of any subsidiary not owned by American Potash or any subsidiary; provided, however, that this subsection (iv) shall not prohibit American Potash from creating, assuming or guaranteeing, or permitting any of its subsidiaries to create, assume or guarantee, any (1) funded debt issued to American Potash or a subsidiary, in the case of subsidiaries, (2) extensions, renewals and refundings of funded debt at the time outstanding or refundings of funded debt retired within twelve months prior thereto and not theretofore refunded, and (3) purchase money obligations and obligations assumed upon the purchase of property hereafter acquired if the amount of such obligation shall not exceed 75% of the cost or fair value, whichever is lower, of such property.

So long as any Series A Preferred Stock shall be outstanding, American Potash may not, without the consent given in writing or the affirmative vote of the holders of at least a majority of the aggregate number of shares of Series A Preferred Stock at the time outstanding, considered as a class, such vote to be taken at a meeting duly called and held for the purpose, sell, transfer or lease all or substantially all of its assets, or merge into or with or consolidate with any other corporation except a wholly owned subsidiary.

Liquidation Rights

In the event of voluntary liquidation the holders of Series A Preferred Stock then outstanding shall be entitled to be paid, before any payment shall be made to holders of Special Preferred Stock, Class A Stock or Common Stock, an amount per share equal to the amount per share which American Potash would be required to pay in the event of redemption other than for the sinking fund, to-wit: \$101.50 on or before April 1, 1958; \$101 thereafter and on or before April 1, 1961; \$100.50 thereafter and on or before April 1, 1962; and \$100 thereafter; together in each case with accrued dividends to the redemption date.

After such payment to the holders of Series A Preferred Stock, the holders of Special Preferred Stock then outstanding shall be entitled to be paid, before any payment shall be made to holders of Class A Stock or Common Stock, an amount per share equal to the amount per share which American Potash would be required to pay in the event of redemption, to-wit: \$108.00 if redeemed on or before December 31, 1960; \$106.00 if redeemed thereafter and on or before December 31, 1963; \$104.00 if redeemed thereafter and on or before December 31, 1966; \$103.50 if redeemed thereafter and on or before December 31, 1969; \$103.00 if redeemed thereafter and on or before December 31, 1972; \$102.50 if redeemed thereafter and on or before December 31, 1975; \$102.00 if redeemed thereafter and on or before December 31, 1978; \$101.50 if redeemed thereafter and on or before December 31, 1981; \$101.00 if redeemed thereafter and on or before December 31, 1984; \$100.50 if redeemed thereafter and on or before December 31, 1987; and \$100.00 if redeemed thereafter; together in each case with accrued dividends to the redemption date.

In the event of involuntary liquidation the holders of Series A Preferred Stock shall be entitled to receive \$100 per share, plus accrued dividends thereon, before any payment shall be made to holders of Special Preferred Stock, Class A Stock or Common Stock. After such payment to the holders of Series A Preferred Stock, the holders of Special Preferred Stock shall be entitled to receive \$100 per share, plus accrued dividends thereon, before any payment shall be made to holders of Class A Stock or Common Stock.

In the event of voluntary or involuntary liquidation, after payment in full of the amounts required to be paid to holders of Series A Preferred Stock and Special Preferred Stock, the holders of Class A Stock and Common Stock shall be entitled to share ratably in all remaining assets.

Pre-emptive Rights

Unless otherwise determined by the Board of Directors, no stockholder has any pre-emptive right.

General

Class A Stock and Common Stock are both of no par value, have no redemption or sinking fund provisions and have no conversion rights except that Class A Stock is exchangeable for Common Stock.

BUSINESS AND PROPERTIES OF THE CONSTITUENT CORPORATIONS

AMERICAN POTASH & CHEMICAL CORPORATION

American Potash is a corporation organized in 1926 under the laws of the State of Delaware and consolidated in the same year with American Trona Corporation, a Delaware corporation organized in 1913. It is engaged in the production, manufacture and distribution of a wide variety of chemicals which are sold throughout the United States and in many foreign countries. Plants are located at Trona, California; Henderson, Nevada; and Los Angeles, California. Manufacturing facilities of American Lithium Chemicals, Inc. and San Antonio Chemicals, Inc., in each of which American Potash holds a 53 per cent interest and which are included in the consolidated sales and financial statements, are located at San Antonio, Texas.

The executive offices of American Potash are in Los Angeles, California. General sales offices are in Los Angeles and New York. Divisional sales offices are maintained in San Francisco, California; Portland, Oregon; Chicago, Illinois; Columbus, Ohio; Atlanta, Georgia and Shreveport, Louisiana.

PRODUCTS

American Potash had total sales of \$42,837,213 in 1957, of which 15 per cent was to domestic agriculture, 10 per cent to the kraft paper industry, 12 per cent to the glass trade and 4 per cent to the manufacturers of porcelain enamels and glazes. Approximately 28 per cent went to various governmental uses, including the Department of Defense and the Atomic Energy Commission, and 18 per cent to miscellaneous industrial uses, including other chemical companies and manufacturers of sodium phosphates, soaps and detergents, textiles, dyestuffs and pigments. Exports amounted to 13 per cent of total sales.

Sales fall into six categories consisting of five major product groups representing 91% of consolidated sales and miscellaneous products which accounted for the remaining 9%. The 91% of sales constituting the major products is approximately equally divided between the following product groups: boron products; lithium chemicals; electrochemicals (chlorates, perchlorates and manganese dioxide); sodium chemicals (soda ash and salt cake); **potash** (including agricultural and chemical grades) and other agricultural chemicals.

Production of ~~primary~~ products (borax, potash, soda ash, salt cake, lithium and bromine) at the largest plant of American Potash, located at Trona, California, during the past five calendar years has been as follows:

<u>Years</u>	<u>Production (Short Tons)</u>
1953.....	736,856
1954.....	702,809
1955.....	762,310
1956.....	790,281
1957.....	761,808

The principal products of American Potash are set forth below.

Boron Chemicals

The principal domestic market for boron products is in the midwestern and eastern states. Substantial quantities are also exported.

American Potash sells a large portion of its boron products to the glass industry, principally for heat-resistant glass. Manufacturers of porcelain enamels and glazes are the second largest group of boron customers. A substantial quantity of boron products is used by the fiber glass industry. Boron products are also used in agriculture and by various other industries.

The major portion of the world's boron chemicals is produced in Southern California. American Potash believes that it is the second largest producer of boron chemicals in the world, and that it supplies approximately 35% of the refined boron products sold in or exported from the United States. It does not produce or sell crude boron products.

Among new boron products introduced in recent years are elemental boron, boric oxide, pentahydrate borax, and various organic and inorganic boron compounds including gasoline additive.

Lithium Chemicals and Lithium Ores

Lithium carbonate is sold for use in the production of porcelain enamels and glazes, specialty glasses, and for other purposes and is converted to other lithium products, including lithium metal and compounds such as chloride, bromide, perchlorate and nitrate.

American Lithium Chemicals, Inc., a 53%-owned subsidiary, produces lithium hydroxide at San Antonio, Texas, from lepidolite ore mined by Bikita Minerals (Private) Limited in Southern Rhodesia, Africa. American Lithium Chemicals is one of the three suppliers of the Atomic Energy Commission in its program for purchasing large quantities of lithium hydroxide under five-year contracts. As a part of these arrangements the Commission makes available to its suppliers for commercial resale lithium hydroxide depleted in isotope lithium-6. This material meets all the chemical specifications for lithium hydroxide for industrial uses and is marketed for American Lithium Chemicals by American Potash under the Trona® brand.

Under a contract entered into in 1954 and subject to termination upon one year's notice in and after 1960, American Potash has marketing rights in the United States and non-European countries outside the sterling bloc for lithium ores produced by Bikita Minerals (Private) Ltd., of which it owns a 21.25% interest. These ores are used in glassmaking and in the ceramic industry. A wholly-owned subsidiary, Borax & Chemicals Limited, is the sales agent for lithium ores for Bikita Minerals (Private) Ltd. in Europe and in sterling bloc countries, where it sells to the above-mentioned industries and to refiners.

Chlorates and Perchlorates

Sodium chlorate is used as a bleach in the pulp and paper industry, as a weed killer and defoliant, in metallurgical uses, flares and pyrotechnics. Potassium chlorate is used in the manufacture of matches, fireworks, signal flares and munitions.

Ammonium perchlorate, of which American Potash is currently the only domestic producer, is used primarily as an oxidizer in solid propellants for rockets and missiles and jet-assisted take-off units. Potassium perchlorate is used to some extent for the same purposes and also in the manufacture of flares and munitions. Customers for perchlorates include the military services and the manufacturers of rocket engines.

Manganese Dioxide

American Potash manufactures battery-active manganese dioxide by electrolytic methods for use in heavy duty and military batteries. Such material increases battery life over that obtained with naturally occurring battery-active ores. A substantial portion of the output is currently being sold to the General Services Administration for Government stockpile purposes.

® Trademark registered in U. S. Patent Office.

Sodium Chemicals

Salt Cake (sodium sulphate) is used principally in the kraft paper industry and to a substantial extent in the manufacture of industrial detergents. American Potash believes that it is the largest producer of salt cake in the United States and that its production represents approximately 25% of the total domestic output.

Soda Ash (sodium carbonate) is the principal source of chemical alkali. The major uses of soda ash are in the production of glass, soaps, detergents, other chemicals, insulating and fibre board and in metallurgy. The entire production of soda ash by American Potash is marketed in the western states or in export.

Potassium Chemicals

Potash is one of the three principal plant foods necessary to agriculture. American Potash sells its muriate of potash and sulphate of potash primarily to manufacturers of mixed fertilizers. Its refined potassium chloride, chemical grade, is sold to manufacturers of other potassium compounds. The demand for potash in agriculture in 1957 increased somewhat over 1956 but output by a greater number of producers in the domestic industry outran consumption. Shipments by American Potash in 1957 represented approximately 6% of all potash delivered in the United States, its territories and Canada, and were lower than in 1956.

Agricultural Chemicals

Chemicals in this category consist of a large number of compounds and formulations used in agriculture, including ethyl parathion, chlorinated insecticides, organic phosphate insecticides, miticides and fumigants, the manufacture of the latter being based in part upon the bromine production of American Potash.

Other Chemicals and Specialties

The products in this group are principally Alkarb® (produced by San Antonio Chemicals, Inc), a mixture of potassium, rubidium and cesium carbonates for use primarily in the glass industry; phosphoric acid, used in fertilizer compounds; and sulfur dioxide used in oil refining and food processing.

Products and services of the National Northern Division are used primarily by the military services and its contractors.

COMPETITION

American Potash is in active competition in the sale and distribution of all of its products, and faces active competition in substantially all of its markets. It does not rely significantly on patented processes or patented products.

TRONA RAILWAY COMPANY

Trona Railway Company is a wholly-owned subsidiary, incorporated under the laws of California in 1913. It is a common carrier owning and operating a 31-mile standard gauge railroad running from the plant at Trona to a connection with the Southern Pacific Railroad at Searles, California. Its income is derived principally from outbound freight on products of American Potash and of Stauffer Chemical Company. The tracks and roadbed are well maintained. Its motive power consists of 3 modern diesel-electric locomotives.

OPERATING EXPENSES

Principal items of expense are labor, natural gas, fuel oil, electric power, and various materials including lithium and manganese ores, various industrial chemicals and acids. Wage and salary rates are generally comparable to those paid in industrial areas in which American Potash operates.

EMPLOYEE RELATIONS

American Potash and its domestic subsidiaries employ approximately 2,230 people. Each of them enjoys excellent relations with its employees. Only one minor work stoppage due to labor disputes has been experienced in the last decade. Hourly employees in bargaining units are represented by various labor unions.

* Trademark registered in U. S. Patent Office.

Welfare programs are maintained for the benefit of employees, which include a non-contributory group retirement plan, and contributory group life, disability, hospital and surgical benefits insurance.

RESEARCH

American Potash regards research as an important phase of its operation and intends to continue aggressively its research and development program, the budget of which has been increased in each of the past several years. Fields of major importance in the research program include boron products, lithium chemicals, and rubidium and cesium metals and their compounds. Expenditures for research carried on by American Potash for its own account in 1957 represented approximately 3.9% of sales. In addition, extensive research was conducted on behalf of the Department of Defense.

Research laboratories are located at Trona, Whittier, and Los Angeles, California, and at Henderson, Nevada. The Trona laboratory was completed in 1947, the Whittier laboratory in 1953, and its working space approximately doubled in 1956. The Henderson laboratory is currently being expanded.

PLANTS AND PROPERTY

The largest manufacturing facilities are located at Trona, California, on the northwestern edge of Searles Lake. This so-called "dry lake" consists of a porous mass of crystalline salts filled with dense alkaline brine. There are two major salt beds which are separated by a 15 to 20 foot layer of impervious mud and which are known as the upper and lower deposits. The brine in these deposits is the raw material from which chemicals are produced at Trona. American Potash controls its source of raw materials in Searles Lake through ownership of land in fee and through leases from the Federal Government.

The chief facilities at Trona are the potash plants, boron products plants, soda ash and salt cake plants, a lithium carbonate plant, a bromine plant, storage warehouses and silos, and facilities for supplying steam, electric power, and refrigeration. During the past several years American Potash has substantially rebuilt and modernized a large part of its facilities including those for storage and shipping. The steam plant has a capacity of over 1,000,000 pounds of steam per hour, the electric power plant a capacity of about 30,000 kilowatts, and the refrigeration plant 7500 tons of refrigeration per day. The steam generated is expanded through prime movers for production of electrical and mechanical power before being used for heating in the evaporators and chemical plants.

The facilities in Los Angeles, California, consist of chemical processing, formulating, milling, and packaging equipment, warehouse buildings, and offices.

The plant at Henderson, Nevada, is a portion of the plant originally built for Basic Magnesium, Inc., prior to World War II. The major units at this plant consist of cells and processing equipment for the electrolytic manufacture of chlorates, perchlorates, and electrolytic battery grade manganese dioxide. Adjacent to the property is a plant built and operated by American Potash on behalf of the Navy Department, in which ammonium perchlorate is produced. In addition to the usual office, warehouse, and laboratory buildings, there are a number of presently unused buildings equipped with normal services such as power, steam, and water, which are well suited for installation of new processing facilities.

The facilities of National Northern Corporation, a 100% owned subsidiary, include 120 acres of land and a number of buildings, laboratories and storage units designed for research, development, production and testing of explosives and related items at West Hanover, Massachusetts and a 1,900 acre testing range, buildings and equipment at Halifax, Massachusetts.

American Potash owns over 700 acres of land near Aberdeen, Mississippi, where it is presently erecting a plant for the production of sodium chlorate to serve its customers in the Southeast and East.

PLANTS OF AMERICAN LITHIUM CHEMICALS, INC., AND SAN ANTONIO CHEMICALS, INC.

The production facilities of American Lithium Chemicals, Inc., were constructed in 1955. They were installed for the production of lithium hydroxide from lepidolite ore imported from Southern Rhodesia. The process used was developed by American Potash.

The facilities of San Antonio Chemicals, Inc., located on land leased from American Lithium Chemicals, Inc., are used to convert end liquors purchased from American Lithium into Alkarb*. Rubidium and cesium compounds from the same source are being produced at a research pilot plant at Trona for the account of San Antonio Chemicals.

MINERAL RESERVES

American Potash owns in fee 2,560 acres of the bed and crystalline body of Searles Lake, California, and leases from the United States of America an additional 5,960 acres of the crystalline body of the lake. There are three leases, one for 840 acres and the other two for 2,560 acres each. American Potash uses lower level brine from its fee land and since May, 1952, it has drawn all of its upper level brine from leased lands.

In 1957 79.4% of the brine pumped to the plant of American Potash was extracted from leased properties, and royalties paid pursuant to such leases amounted to \$506,837.

The property owned and leased by American Potash, together with 2,780 acres held under lease from the United States of America by Stauffer Chemical Company, a competitor in the manufacture and sale of soda ash, salt cake and boron products, constitutes most of the crystalline body of Searles Lake. The fee lands of American Potash and the 840-acre tract of leased lands are adjacent to each other, but are separated from the two tracts of leased lands of 2,560 acres each by the tract held under lease by Stauffer Chemical Company. American Potash has easements over this latter tract.

Further information with respect to the terms of these leases and amendments is set forth below under "Federal Leases".

Mr. Ira B. Joralemon, independent consulting engineer and geologist of San Francisco, California, was retained by American Potash in January, 1947, to make an estimate of the brine reserves in the fee and leased properties. Since that time, Mr. Joralemon has continued to advise American Potash on a consulting basis. During these years an extensive drilling and sampling program (some of which was suggested by Mr. Joralemon) has been carried out by the Research Department to increase information relating to the extent of the mineral reserves and the most efficient procedures for utilizing them.

Mr. Joralemon's latest estimate of the brine in the upper deposit was made as of January 1, 1957. He concluded from this estimate that there was sufficient brine in place as of that date to take care of the present rate of pumping for 29 years, not including the allowance for migration of brine and solution of solid salts which had been used in estimating the reserves in 1947 and 1955, and that because of the solution of solid salts it was safe to estimate the life of the upper brine deposit as at least 50 years. These conclusions were based on the comparison of brine used in the past with estimates at the beginning and end of various periods, on a study of the varying depths and analyses of brine in pattern drill holes, and on recent laboratory and theoretical research on the solubility of potash and borax which is present in solid salts. Mr. Joralemon's latest estimate is based on 1946 studies indicating that only brine having a minimum content of 3.5% KCl (potassium chloride) can be profitably processed. Studies made in 1955 by American Potash based on current costs and sales values indicate that the minimum grade which could be profitably realized is lower than 3.5% KCl and it is believed that this conclusion is still valid.

As of January 1, 1955, Mr. Joralemon estimated that there was sufficient brine in the lower deposit to meet the current annual requirements of the soda ash-borax plant for a minimum of 150 years. He did not re-estimate the lower deposit brines in 1957, and the pumping rate to the soda ash-borax plant has recently been increased; hence the estimated brine reserve has become equivalent to about 130 years' consumption. In making estimates for the lower deposit, Mr. Joralemon takes into account all brine present, since the average concentration of soda ash and borax in such brine as a whole equals or exceeds the grade which can be profitably utilized in the soda ash-borax plant.

FEDERAL LEASES

On October 19, 1939, American Potash leased 5,960 acres of the crystalline body of Searles Lake from the United States of America under the terms of the Potash Mining Act of February 7, 1927. The leases run

* Trademark registered in U. S. Patent Office.

for a period of 20 years from their date, with a preferential right in the lessee for successive 10 year renewals "under such reasonable terms and conditions as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of any such period." The Potash Mining Act was amended June 3, 1948 and provides that upon application by the lessee any outstanding lease issued under said Act shall be amended to provide that it shall be for a term of twenty years "and so long thereafter as the lessee complies with the terms and conditions of the lease and upon the further condition that at the end of each twenty-year period succeeding the date of the lease, such reasonable adjustment of the terms and conditions thereof may be made therein as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of such periods."

The leases grant to American Potash the exclusive right to mine, remove and dispose of all the potassium and associated minerals in, on or under the tracts covered by the leases. American Potash agrees to pay a royalty of 3% of the gross value of the output of potassium and sodium compounds and all other related products at the point of shipment to market.

On February 12, 1946, the United States instituted an action, entitled *United States of America v. American Potash & Chemical Corporation*, in the District Court of the United States for the Southern District of California, Central Division, to cancel the leases. The complaint among other things charged certain violations of the anti-trust laws, and that 90.79% of the capital stock of American Potash was owned at the time of the execution of the leases by German corporations and nationals in violation of Section 1 of the Mineral Leasing Act. American Potash filed its answer denying any violation of law. The court, without any evidence having been adduced and without any findings of fact or conclusions of law, entered a consent judgment, which enjoined American Potash, during the terms of the leases and any extension thereof, from, among other things, wilfully and knowingly (i) issuing certificates of stock to, (ii) issuing certificates of stock which are transferable to, and (iii) amending certificates of stock so as to make them transferable to, certain persons and organizations. The prohibited classes are enumerated elsewhere herein, under the heading "Common Stock". The provisions as to issuance and amending of certificates of stock were deleted from the judgment by order of the court dated April 16, 1957. However, the judgment also enjoins American Potash from disposing of any of its property, or transferring direct or indirect control of any of its property, to any person, corporation or other business organization in the prohibited classes, but excludes from such injunction sales of products and assets in the normal course of business. The judgment directs American Potash to file periodic reports with the Secretary of the Interior with respect to transfers of stock recorded on the books, transfers of property or control thereof other than sales of its products and assets in the normal course of business, and the names and addresses of all directors and officers. The judgment further provides for forfeiture of the leases upon proof of violation of any of the provisions of the judgment outlined above, or upon election or employment, as an officer or director, of any person to whom the issuance of stock is prohibited by the judgment.

The judgment also directs the execution of an amendment to each of the leases in the form annexed to the judgment which incorporates therein substantially all of the provisions of the judgment and provides for forfeiture upon proof of violation of any of the provisions of the leases as so amended. Each of the leases was so amended in accordance with the directions of the judgment and has been further amended to reflect the amendment dated April 16, 1957 to the consent judgment.

CONSENT DECREES

A consent decree was entered by the District Court of the United States for the Southern District of New York on May 21, 1940, enjoining American Potash and certain other potash producers from entering into certain agreements in the future in connection with the sale and distribution of potash. A consent decree was entered by the District Court of the United States for the Northern District of California on August 16, 1945 enjoining American Potash and certain other borax producers from entering into certain agreements in connection with the production and marketing of crude borates, refined borax, and boric acid.

LITIGATION

An action by W. D. MacKay against American Potash for \$250,000 as compensation for alleged assistance given in obtaining a contract is pending in the Federal District Court of Southern California. American Potash denies any liability, and in the opinion of its counsel, the suit is without merit.

LINDSAY CHEMICAL

General

Lindsay was founded in 1902 as Lindsay & Company and was incorporated in Illinois in 1904. It is presently the largest refiner in the United States of thorium and rare earth chemicals. Lindsay originally manufactured incandescent mantles, which required thorium nitrate as one of the raw materials. Previous to World War I thorium nitrate used for mantles was imported from Germany in a refined state. When that war eliminated this source, Lindsay commenced and ever since has continued its own processing of monazite sand from which thorium and the rare earths are derived. As the demand for mantles declined and with it the demand for thorium, Lindsay supplanted that business by developing refining processes for the rare earth chemicals as new uses were discovered for these elements. The mantle business was sold as of December 31, 1953. With the advent of the atomic energy program, a new demand for thorium nitrate came into being. At the present time Lindsay's business is the production, manufacture and sale of thorium, rare earth and titanium chemicals.

Lindsay played a significant role in furnishing thorium and rare earth products to the Manhattan Project in connection with the development of the atomic bomb during World War II. Since 1945 Lindsay has furnished the bulk of its thorium production to the Government.

The operations of Lindsay involve the extraction of rare earth, thorium and titanium material from their ores, and the manufacture of useful chemicals therefrom.

PRODUCTS

Rare Earth Chemicals

The rare earths consist of a group of fifteen elements which are always found together in nature.* A principal source is monazite sand which, as noted above, Lindsay has processed since World War I. Another source is bastnasite. Lindsay has processed bastnasite but is not currently doing so.

About one-quarter of the rare earth chemical production is used in carbon arc lighting applications. Carbons cored with rare earths are employed by the motion picture industry both in studio lighting and in theatre projection. Army, Navy and Coast Guard searchlights also use carbons having rare earth cores.

Another quarter of the rare earth chemical production is used by several companies to make rare earth metal (misch metal) and cerium metal. These metals are used in producing lighter flints, and recently have been used in creating alloy steels and magnesium alloys for high temperature service. In addition to the use of the metals for alloying purposes, there are some applications where rare earths and thorium salts are used directly in producing alloys.

A third quarter of the rare earth production is taken by the glass industry. Rare earth salts, didymium (cerium-free) salts and cerium salts all have important uses in the coloring and decoloring of glass. Cerium oxide and a rare earth oxide, sold under the trade-marked names of Cerox** and Barnesite,** respectively, are widely used in the polishing of spectacle and optical instrument lenses, as well as mirrors, face plates of television picture tubes and other glass specialties. Both Cerox and Barnesite are important to the defense efforts through their use in the polishing of high precision optical parts for bomb-sights, height and range finders, periscopes, and other fire-control instruments.

The balance of the rare earth chemical output is used in a number of miscellaneous applications. These include the use of lanthanum and thorium oxide in a silica-free glass, the coloring of table glassware and

* In the classification of the elements, the rare earths have atomic numbers 57 through 71 and are: Lanthanum, Cerium, Praseodymium, Neodymium, Promethium, Samarium, Europium, Gadolinium, Terbium, Dysprosium, Holmium, Erbium, Thulium, Ytterbium and Lutetium.

** Trademark, Lindsay Chemical Company.

novelty glass items with neodymium salts, the use of an oxalate as a nausea preventive, the use of didymium salts in temperature-compensating condensers for radio, television, and radar applications, and other minor uses.

Lindsay was one of the first to develop, and believes it is the leader in, the commercial application of the ion exchange process to the separation of highest purity yttrium and rare earth products. Among the potential future uses of these elements is the application of samarium, gadolinium and europium as neutron absorbers in the control rods of nuclear reactors. Other separated rare earths, such as dysprosium and erbium may find a use as an addition to these rods to balance neutron absorption.

Thorium Products

Thorium is the only material known, except for uranium, which, though not itself fissionable, can be converted to fissionable material. This is done by placing it in an atomic "breeder" reactor. In 1952 arrangements were made with the Atomic Energy Commission for Lindsay to expand its production of thorium chemicals and as a result a large addition to its facilities was completed in July, 1954. It entered into a contract with the Commission for the sale of thorium products which contract expired December 31, 1956. Lindsay is now operating on a new contract, running until the end of 1959, under which the Government is acquiring thorium salts. In addition to this outlet for its thorium products, Lindsay produces for civilian use thorium compounds for use in thorium-magnesium alloys used in jet engines; thoriated tungsten wire for electronic tubes, refractories for high temperature purposes, catalytic agents for various industries, high quality optical glass, incandescent mantles, and various chemical reagents.

Titanium Products

These products are manufactured for use in leather tanning.

RAW MATERIALS

Lindsay has obtained monazite sands in ample supply from the Union of South Africa since 1953. It presently has a contract from a source in that country which should be able to continue supplying its requirements.

Monazite sands are also found in Florida and Idaho. Other deposits in Brazil and India are subject to embargoes placed upon their export. Reserves of bastnasite, containing rare earths but of small thorium content, have been developed in California.

Thorite, which contains thorium but only a negligible percentage of rare earths, has been located in Colorado. While to date there has been no large scale production of thorium from this source, Lindsay is conducting pilot plant work with various types of thorite ores which may be used as an alternative or supplemental source of supply.

SALES AND DISTRIBUTION

Of the total 1957 sales of Lindsay, approximately 40% were thorium products, approximately 58% were rare earth products and approximately 2% were titanium products. Lindsay sells its products through its own sales force, through jobbers, and also through distributors who market certain products on a commission basis.

COMPETITION

The refining of rare earth and thorium chemicals is a specialized process. To the best of Lindsay's knowledge, it is, at the present time, manufacturing approximately 75% of the rare earth chemicals sold in the United States and a somewhat higher percentage of the thorium compounds.

During the last several years Lindsay has made foreign sales of thorium and rare earth products. For the year 1957, sales of these products were about 15% of gross sales.

RESEARCH

Lindsay has conducted a research program over the last 20 years. The research staff consists of a Director of Research and 14 research chemists and technicians. Its efforts have been primarily directed toward process research. The research staff also works with customers to develop materials designed for specific uses.

EMPLOYEE RELATIONS

As of January 1, 1958, Lindsay employed approximately 260 persons. Since July 1, 1956, the hourly wage employees have been represented by two unions, The International Chemical Workers Union, AFL-CIO and District No. 108 International Association of Machinists, AFL-CIO. Lindsay believes its relations with employees to be satisfactory.

PROPERTY

The office, general factory, and warehouse facilities, including the new addition referred to below, are housed principally in six main buildings, containing approximately 200,000 square feet, owned and operated by Lindsay at Factory and Ann Streets in West Chicago, Illinois. Of the older buildings, two are of single story construction, and two consist of a main story and balcony. These four buildings are well maintained, of brick and tile construction and between 30 and 35 years old.

The new addition to the plant, completed in July, 1954, to handle its production for the Atomic Energy Commission, consists of a 4-story brick and transite fireproof building containing, together with an adjoining new warehouse, 96,680 square feet. 70% of the cost of the facility is being amortized, for federal income tax purposes, over a five year period.

The research activities are housed in a 3-story brick and stone building owned by Lindsay approximately six blocks from the main plant. This building contains approximately 14,000 square feet and is over 50 years old. It has been extensively remodeled for research laboratory purposes.

Lindsay also owns a 50 year old factory building in Morris, Illinois, of brick and stone construction containing approximately 14,000 square feet, presently leased at a yearly rental of \$4,800.

LITIGATION

On September 28, 1954, Mary I. Murtaugh, owner of 250 shares of Common Stock, filed suit in the Circuit Court of Cook County, Illinois, against Lindsay, certain holders of Preferred Stock and directors of Lindsay and The First National Bank of Chicago, transfer agent. The plaintiff contends that the holders of Preferred Stock were improperly given the right to subscribe to Common Stock and seeks recovery for Lindsay from the holders of Preferred Stock for any financial advantage received by them on account of their rights to subscribe to Common Stock. On November 19, 1956, the plaintiff filed a motion for the entry of a declaratory judgment determining the relative rights of holders of Preferred Stock and Common Stock in the future issues of stock of Lindsay. No part of this case has been determined by the court. In the opinion of counsel for Lindsay, the suit is without merit.

DIRECTORS AND MANAGEMENT

In the event the merger becomes effective, it is contemplated that the Board of Directors of the Surviving Corporation will be increased from nine to ten members, and that Mr. Charles R. Lindsay, III, will be added to the Board. No changes are to be made in the present officers of American Potash, except that upon the merger becoming effective, Mr. Lindsay will become a vice president of the Surviving Corporation.

Information relating to him is as follows:

<u>Name, Principal Occupation, and Year First Elected a Director of LINDSAY</u>	<u>Shares of Stock of LINDSAY Owned Beneficially as of February 20, 1958</u>		<u>Shares of Stock of American Potash Owned Beneficially as of February 20, 1958</u>
	<u>Common</u>	<u>7% Pfd.</u>	
Charles R. Lindsay, III—(1925), President, Lindsay Chemical Company	10,000	50,400 ¹	None

Mr. Lindsay received aggregate remuneration (salary and premium on insurance) of \$39,096.89 in 1957. His estimated benefits under the Lindsay Contributory Pension Plan are \$6,514.32 per year and his benefits under the Supplementary Retirement Plan are \$8,133.72 per year, a total at retirement of \$14,648.04.

1. 15,000 shares of Preferred are owned by Mrs. C. R. Lindsay III.

1,600 shares of Preferred are owned by Katharine B. Lindsay, daughter.

23,700 shares of Preferred are controlled by Charles R. Lindsay III as executor of the estate of Mrs. C. R. Lindsay, Jr., deceased.

TAX CONSEQUENCES

In the opinion of Messrs. Alvord & Alvord, tax counsel for American Potash, neither the merger nor the conversion of Lindsay shares, nor any subsequent exchange of certificates of stock pursuant to the merger, will result in gain or loss recognized for income tax purposes under Federal Tax Law to either American Potash or Lindsay, or to their stockholders, except that gain, if any, will be recognized to the extent that a holder of Preferred Stock of Lindsay receives cash in lieu of a fractional share and such gain will be taxable as capital gain.

FINANCIAL STATEMENTS

This Proxy Statement includes the financial statements listed on page . Additional financial statements of American Potash are on file with the Securities and Exchange Commission, Washington, D. C., and with the New York Stock Exchange and the Pacific Coast Stock Exchange. Additional financial statements of Lindsay are on file with the Securities and Exchange Commission, Washington, D. C., and with the Midwest Stock Exchange.

CERTAIN FINANCIAL AND ACCOUNTING DATA

Earnings

The following summary of consolidated earnings of American Potash and its consolidated subsidiary companies for the five years ended December 31, 1957 has been examined by Haskins & Sells, independent certified public accountants, whose opinion with respect thereto is included in their certificate herein; and the following summary of earnings of Lindsay Chemical Company for the five years ended December 31, 1957 has been examined by Scovell, Wellington & Company, independent certified public accountants, whose opinion with respect thereto is included in their certificate herein. The summaries should be read in conjunction with the notes to financial statements and balance sheets of the respective companies. "Cash Dividends on Common Stock", and "Lindsay Chemical-Sales and Distribution" set forth herein.

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

	Year Ended December 31,				
	1953	1954	1955	1956	1957
Net Sales.....	\$22,461,056	\$23,631,032	\$27,731,612	\$41,750,628	\$42,837,213
Cost of Products Sold.....	18,053,791	18,714,079	20,141,707	31,059,543	32,421,691
Gross Profit.....	4,407,265	4,916,953	7,589,905	10,691,085	10,415,522
Selling, Administrative, and General Expenses.....	1,580,515	1,843,687	2,096,786	3,405,883	3,740,860
Operating Profit, Excluding Income from Railroad Income from Trona Railway Company, Before Pro- vision for Taxes on Income.....	2,826,750	3,073,266	5,493,119	7,285,202	6,674,662
Operating Profit	374,099	421,977	468,702	514,060	384,180
Operating Profit	3,200,849	3,495,243	5,961,821	7,799,262	7,058,842
Other Income:					
Interest	22,951	37,330	157,536	183,489	141,833
Miscellaneous, net (loss).....	(61,781)	37,930	94,973	172,193	187,781
Total	3,162,019	3,570,503	6,214,330	8,154,944	7,388,456
Other Deductions:					
Interest Expense.....	126,159	125,538	304,330	486,170	251,618
Loss (Gain) on sale of property and equipment, net	144,778	(95,944)	139,808	111,737	146,608
Total	270,937	29,594	444,138	597,907	398,226
Income Before Taxes on Income and Minority Interest	2,891,082	3,540,909	5,770,192	7,557,037	6,990,230
Provision for Taxes on Income:					
Federal	725,000	965,000	1,614,000	2,274,000	2,007,000
State	50,000	65,000	96,000	140,000	86,000
Total	775,000	1,030,000	1,710,000	2,414,000	2,093,000
Net Income Before Minority Interest.....	2,116,082	2,510,909	4,060,192	5,143,037	4,897,230
Minority Interest in Income of Subsidiary Com- panies				39,946	190,995
Net Income for the Year.....	\$ 2,116,082	\$ 2,510,909	\$ 4,060,192	\$ 5,103,091	\$ 4,706,235

LINDSAY CHEMICAL COMPANY

	Year Ended December 31,				
	1953	1954	1955	1956	1957
Net Sales (Note F (4)).....	\$3,288,876	\$4,229,181	\$7,632,484	\$8,966,898	\$8,952,563
Cost of products sold (Notes A, B, D).....	2,450,098	3,214,335	5,592,451	5,748,709	6,437,215
Gross profit.....	837,878	1,014,846	2,040,033	3,218,189	2,515,348
Selling, administrative and general expenses (Note F (1) (2) (3)).....	260,864	271,784	311,119	385,066	463,202
Operating profit.....	577,014	743,062	1,728,914	2,833,123	2,052,146
Other income					
Gain (loss) on sale of property and equipment, net	—	—	25,380	—	—
Miscellaneous, net (loss).....	48,157	127,660(1)	(24,366)	(23,263)	(337)
	625,171	870,722	1,730,428	2,809,860	2,051,809
Interest expense.....	4,643	54,158	49,055	27,069	4,922
Income before taxes on income.....	620,528	816,564	1,681,373	2,782,791	2,046,887
Provision for taxes on income					
Federal (Note C).....	297,900	414,150	866,100	1,445,400	1,057,450
Net income for the year.....	<u>\$ 322,628</u>	<u>\$ 402,414</u>	<u>\$ 815,273</u>	<u>\$1,337,391</u>	<u>\$ 989,437</u>

(1) Includes recoveries from advances to Brazilian operations, \$120,891.

The Note references are to the accompanying Notes to Financial Statements of Lindsay Chemical Company.

COMBINED CONDENSED SUMMARY OF EARNINGS

The following summary has been prepared by combining amounts shown in the foregoing summaries.

<u>Year Ended December 31</u>	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Provision for Taxes on Income</u>	<u>Net Income</u>
1953.....	\$25,749,932	\$ 5,245,143	\$1,072,900	\$2,438,710
1954.....	27,860,213	5,931,799	1,444,150	2,913,323
1955.....	35,364,096	9,629,938	2,576,100	4,875,465
1956.....	50,717,526	13,909,274	3,859,400	6,440,482
1957.....	51,789,776	12,930,870	3,150,450	5,695,672

NET INCOME AND BOOK VALUE PER SHARE

	<u>American Potash Before Merger</u>	<u>Lindsay Before Merger</u>	<u>Pro-Forma</u>
Net income per share of common stock (including Class A stock of American Potash) after preferred dividend re- quirements			
1953.....	\$ 1.31	\$ 1.02	\$ 1.26
1954.....	1.47	1.06	1.39
1955.....	2.28	2.21	2.27
1956.....	2.57	3.65	2.74
1957.....	2.35	2.69	2.41
Book value per share of common stock (including Class A stock of American Potash) December 31, 1957.....	\$23.27	\$16.84	\$22.19

NOTES:

Net income per share of Common Stock in the above tabulation is based upon shares outstanding at the end of the respective periods and has been adjusted retroactively to reflect stock dividends distributed during the five years ended December 31, 1957 and the 2½ for 1 split of Common Stock of American Potash in 1956 and the 5 for 1 split of Common Stock of Lindsay in 1954.

Pro-forma net income and book value per share of common stock as shown in the above tabulation is based on the number of outstanding shares of common stock which would have been outstanding at the end of each of the respective periods had the merger become effective January 1, 1953.

CASH DIVIDENDS ON COMMON STOCKS

The cash dividends declared per share of Common Stock of American Potash (including its Class A Stock) and Common Stock of Lindsay for the last 5 calendar years have been as follows:

	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
American Potash	\$.679	\$.679	\$.887	\$.971	\$1.00
Lindsay .....	.62	.474	.60	.60	1.00

In addition to the above cash dividends American Potash paid stock dividends as follows: January 7, 1955, 10%; January 9, 1956, 4%; January 9, 1957, 3%.

For the purposes of comparison, the figures shown above have been adjusted retroactively to reflect stock dividends distributed during the five years ended December 31, 1957 and the 2½ for 1 split of the Common Stock of American Potash in 1956 and the 5 for 1 split of the Common Stock of Lindsay in 1954.

Earnings for Lindsay declined in the last quarter of 1957 because of the expiration of two large Government contracts and because of the decision of one of its principal industrial customers for rare earths to reduce purchases for six months in order to reduce inventories. It is not expected that the first quarter of 1958 will show an improvement.

MARKET PRICES

The high and low sales price of the Series A Preferred Stock and Common Stock of American Potash and the Preferred Stock and Common Stock of Lindsay during the periods indicated below are as follows:

<u>1956</u>	<u>American Potash Common stock(a)</u>		<u>Lindsay Common Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1st Quarter.....	44.81(b)	35.66(b)	58	38½
2nd Quarter.....	47.38	40.14	65¾	49¼
3rd Quarter.....	50.76	40.26	71	58
4th Quarter.....	51.46	41.89	63½	54¼
<u>1957</u>				
1st Quarter.....	54.37	45.27	62	55½
2nd Quarter.....	57.04	48.79	81¼	59
3rd Quarter.....	64.81	41.26	80½	51¾
4th Quarter.....	44.18	32.52	52½	30½
1958—to Feb. 25, 1958.....	42¼	35¼	43	36

<u>1956</u>	<u>American Potash Series A Preferred Stock(c)</u>		<u>Lindsay Preferred Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1st Quarter.....	97	96	5	5
2nd Quarter.....	97	94	5⅛	3½
3rd Quarter.....	94	90	5	4½
4th Quarter.....	90	88	4½	4½
<u>1957</u>				
1st Quarter.....	90	88	4½	3½
2nd Quarter.....	90	88	5	4½
3rd Quarter.....	88	88	4⅝	2⅞
4th Quarter.....	88	87	3⅛	3⅛
January—1958.....		88	3¼	3

(a) Adjusted for 3% stock dividend ex dividend November 27, 1955 and 4% stock dividend ex dividend November 28, 1956.

(b) Adjusted for 2½-for-1 stock split approved by stockholders April 25, 1956.

(c) Bid price.

SOURCE: Bank and Quotation Record—The Commercial and Financial Chronicle and Standard and Poor's Security Owner's Stock Guide.

On March , 1958, the closing price of the Common Stock of American Potash in the New York Stock Exchange was and the closing price of the Common Stock of Lindsay on the Midwest Stock Exchange was

CERTAIN OTHER PROVISIONS OF THE AGREEMENT OF MERGER

Under the Agreement of Merger, Lindsay will not without the consent of American Potash, until the effective date of the merger, engage in any activity or transaction or incur any obligation except in the ordinary course of business, issue or sell, or issue rights or options to purchase or subscribe to, or subdivide any shares of its capital stock or distribute or declare dividends or return of capital other than its customary dividend on Preferred Stock of 1¼% for the first quarter of 1958.

The Agreement of Merger also provides that the merger may be abandoned prior to the effective date of merger if:

- (a) The board of directors of American Potash and that of Lindsay both agree to such termination, or

(b) In the judgment of the board of directors of either American Potash or of Lindsay any material litigation shall be pending or threatened against or affecting either of them or any of their respective assets or the merger, which renders it inadvisable to proceed with the merger, or

(c) In the judgment of the board of directors of American Potash or of that of Lindsay, the other company has suffered any loss by fire, flood, tornado, riot, accident or other calamity, whether or not insured, which might substantially and adversely affect the value of its assets or business, or

(d) In the judgment of the board of directors of American Potash the merger is impracticable by reason of the possible exercise of such statutory rights (if any) of appraisal and payment of stock as the stockholders of American Potash or of Lindsay shall possess, or

(e) In the judgment of the board of directors of Lindsay any changes in the Certificate of Incorporation of American Potash made prior to the effective date of the merger materially and adversely affect the contemplated position of the stockholders of Lindsay, or

(f) This Agreement and the Articles of Merger are not duly approved by the stockholders of American Potash and those of Lindsay on or prior to May 31, 1958.

RIGHTS OF OBJECTING STOCKHOLDERS

Section 262 of the General Corporation Law of the State of Delaware deals with the right of a stockholder of a Delaware corporation objecting to a merger of or with such corporation to obtain the value of his stock. To be entitled to receive such value, any objecting stockholder, as the first of several steps, must file written objection to the merger with his corporation before the taking of the vote of stockholders thereon, and his shares must not be voted in favor of such merger. If the merger is approved, the surviving corporation must, within ten days after the date on which the agreement of merger has been filed and recorded, notify by registered mail, return receipt requested, each such stockholder (who so filed such written objection and whose shares were not voted in favor of the merger) at his last known address as it appears on the books of the corporation of which he was a stockholder, that the agreement of merger has been filed and recorded. Such stockholder must then, within twenty days after the date of mailing of such notice, demand in writing from the surviving corporation payment for his stock.

Within thirty days after the expiration of such period of twenty days, the surviving corporation shall pay to such stockholder the value of his stock on the date of the recording of the agreement of merger, exclusive of any element of value arising from the expectation or accomplishment of such merger. However, if during such period of thirty days, the surviving corporation and such stockholder fail to agree as to the value of such stock, such stockholder or the surviving corporation may, by petition filed in the Court of Chancery in the State of Delaware within four months after the expiration of such period of thirty days, demand a determination of the value of the stock of all such objecting stockholders by an appraiser to be appointed by the Court.

Voting against, or a direction in a proxy to vote against, the adoption of the agreement of merger will not constitute the objection in writing required by such Section 262.

Stockholders of American Potash will be given no further notice as to the date upon which the vote on the merger is taken and will be given only the notice above mentioned as to the date from which the twenty-day period for making an objection and demand in writing commences to run. It is expected that the vote on the merger will be taken by the stockholders of American Potash and by the stockholders of Lindsay at their respective meetings on April 29, 1958, the day for which such meetings have been called; but either of the meetings may be adjourned from time to time and a vote taken at a later date.

REQUEST TO STOCKHOLDERS

Each stockholder is requested to fill in, sign and return the enclosed proxy promptly.

By Order of the Board of Directors.

FREDERICK MARSIC,
Secretary.

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AMERICAN POTASH & CHEMICAL CORPORATION AND
CONSOLIDATED SUBSIDIARY COMPANIES

and

LINDSAY CHEMICAL COMPANY

PRO FORMA COMBINED BALANCE SHEET

December 31, 1957 (Note 1) (Not Audited)

ASSETS

	American Potash	Lindsay	Pro Forma Adjustment Debit (Credit)	Pro Forma Combined
CURRENT ASSETS:				
Cash	\$ 4,184,087	\$ 238,783	—	\$ 4,422,870
United States Treasury bills, at cost which approximates market	946,486	198,553	—	1,145,039
Accounts receivable (less American Potash provision against losses, \$117,116)	5,048,075	824,170	—	5,872,245
Inventories	9,766,067	3,165,789	—	12,931,856
Other	504,529	33,882	\$(33,882) (a)	504,529
Total current assets	<u>\$20,449,244</u>	<u>\$4,461,177</u>	<u>(33,882)</u>	<u>\$24,876,539</u>
Investments and Other Receivables	\$ 1,768,170	\$ 55,000	—	\$ 1,823,170
Property, Plant, and Equipment—at cost less combined reserves for depreciation and amortization, \$27,577,158	\$42,005,813	\$3,028,463	—	\$45,034,276
Mineral Deposits Owned in Fee and Goodwill	\$ 1	\$ 1	—	\$ 2
Deferred Charges	\$ 1,114,110	—	\$ 33,882 (a)	\$ 1,147,992
Total	<u>\$65,337,338</u>	<u>\$7,544,641</u>	<u>—</u>	<u>\$72,881,979</u>

LIABILITIES

CURRENT LIABILITIES:				
Accounts and wages payable	\$ 3,494,837	\$ 129,485	—	\$ 3,624,322
Federal taxes on income	2,200,191	561,372	—	2,761,563
Other taxes	385,179	42,705	—	427,884
Unsecured short-term notes payable to bank	800,000	—	—	800,000
Portion of long-term debt due within one year	1,491,800	—	—	1,491,800
Other	363,267	—	—	363,267
Total current liabilities	<u>\$ 8,735,274</u>	<u>\$ 733,562</u>	<u>—</u>	<u>\$ 9,468,836</u>
Long-Term Debt (less current portion)	<u>\$ 5,713,961</u>	<u>—</u>	<u>—</u>	<u>\$ 5,713,961</u>
Deferred Federal Income Taxes (resulting from amortization in excess of normal depreciation)	—	\$ 470,200	—	\$ 470,200
Minority Interest	\$ 1,179,929	—	—	\$ 1,179,929
CAPITAL STOCK AND SURPLUS:				
Preferred Stock	\$ 5,298,732	\$ 250,000	\$(125,000) (b)	\$ 5,673,732
Common Stock	30,787,673	361,614	(1,407,366) (c)	32,556,653
Paid-in surplus	—	1,532,366	{ 125,000 (b) }	—
Earned surplus	13,621,769	4,196,899	{ 407,366 (c) }	17,818,668 (2)
Total capital stock and surplus	<u>\$49,708,174</u>	<u>\$6,340,879</u>	<u>—</u>	<u>\$56,049,053</u>
Total	<u>\$65,337,338</u>	<u>\$7,544,641</u>	<u>—</u>	<u>\$72,881,979</u>

NOTES:

- This statement presents the combined balance sheets of American Potash and Lindsay on a "pooling of interests" accounting basis, giving effect to the transactions set forth under "Merger of Lindsay Chemical Company into American Potash and Chemical Corporation". No effect has been given to the expenses of the merger not yet determined which are to include a fee of \$200,000 for advice and services. Effect has been given to:
 - Reclassification of Lindsay's deferred charges.
 - Exchange of special preferred stock of American Potash at an aggregate stated value of \$375,000 for the preferred stock of Lindsay having an aggregate par value of \$250,000; the excess of \$125,000 being charged to paid-in surplus.
 - The elimination of paid-in surplus by transfer to common stock account.
 There are minor differences in the accounting procedures used by the two constituent companies which would have no material effect on the pro-forma combined financial statements.
- Under restrictive provisions of the instruments covering Series A Preferred Stock and long-term debt, the unrestricted balance of combined earned surplus out of which dividends could be declared would be \$13,407,703 at December 31, 1957.
- This pro forma combined balance sheet should be read in conjunction with the balance sheets of the two constituent companies together with the related notes applicable thereto included in the Notes to Financial Statements, and in conjunction with the proposed amendment to the Certificate of Incorporation of American Potash and the Agreement of Merger, all appearing elsewhere in this Proxy Statement.

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN POTASH & CHEMICAL CORPORATION:

We have examined the consolidated balance sheet of American Potash & Chemical Corporation and its consolidated subsidiary companies as of December 31, 1957 and the related summary of earnings for the five years then ended appearing in this Proxy Statement under the heading "Certain Financial and Accounting Data—Earnings". Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above consolidated balance sheet and summary of consolidated earnings, with the notes to financial statements, present fairly the consolidated financial position of American Potash & Chemical Corporation and consolidated subsidiary companies at December 31, 1957 and the results of their operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Los Angeles
February 14, 1958.

**AMERICAN POTASH & CHEMICAL CORPORATION AND
CONSOLIDATED SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1957

ASSETS

CURRENT ASSETS:

Cash	\$ 4,184,087	
United States Treasury bills, at cost which approximates market.....	946,486	
Accounts receivable:		
Trade (less provision against losses, \$117,116)	4,465,340	
Other	582,735	
Inventories:		
Finished products and products in process, at lower of average cost or market	5,517,099	
Materials and supplies, at average cost or less	4,248,968	
Other current assets.....	504,529	
Total current assets.....		\$20,449,244

INVESTMENTS AND OTHER RECEIVABLES:

Investment in Borax & Chemicals Limited (in United Kingdom—100% owned) (Note 3)	\$ 928,904	
Investment in Bikita Minerals (Private) Limited, at cost—21.25% owned	725,086	
Trust-deed notes receivable, net (Note 4)	114,180	
Total investments and other receivables.....		1,768,170

PROPERTY—At cost (Notes 5 and 8):

Land and mineral deposit leaseholds.....	\$ 924,944	
Operating plants and equipment.....	61,346,890	
Village and other facilities.....	2,703,603	
Construction in progress.....	3,288,920	
Total	\$68,264,357	
Less reserves for depreciation and amortization.....	26,258,544	
Property—net book value.....		42,005,813

MINERAL DEPOSITS OWNED IN FEE.....

1

DEFERRED CHARGES (Note 6).....

1,114,110

TOTAL	\$65,337,338
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LIABILITIES

CURRENT LIABILITIES:

Accounts and wages payable.....	\$ 3,494,837	
Federal taxes on income (Note 7).....	2,200,191	
Other taxes	385,179	
Unsecured short-term notes payable to bank (liability of American Lithium Chemicals, Inc.) (Note 12)	800,000	
Portion of long-term debt due within one year.....	1,491,800	
Other current liabilities.....	363,267	
Total current liabilities.....		\$ 8,735,274

LONG-TERM DEBT—NOT GENERAL OBLIGATIONS OF THE COMPANY (Note 8):

4½% trust-deed note payable to bank (liability of American Lithium Chemicals, Inc.)	\$ 2,598,590	
Noninterest-bearing trust-deed notes payable (liability limited to Henderson plant)	3,115,371	
Long-term debt—not general obligations of the Company.....		5,713,961

MINORITY INTEREST IN SUBSIDIARY COMPANIES (capital stock, \$948,988; earned surplus, \$230,941)	1,179,929
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CAPITAL STOCK AND SURPLUS:

Capital stock, without par value (Notes 9 and 10):		
\$4 Cumulative Preferred Stock, Series A.....	\$ 5,320,000	
Class A and Common Stock.....	30,787,673	
Earned surplus (Note 11).....	13,621,769	
Total	\$49,729,442	
Less cost of Preferred Stock, Series A, acquired in anticipation of redemption requirements	21,268	
Capital stock and surplus—net.....		49,708,174

COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)

TOTAL	\$65,337,338
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The accompanying notes to financial statements are an integral part of this statement.

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. CONSOLIDATION:

It is the practice of the Company to include in consolidation all domestic operating subsidiary companies. The consolidated financial statements, accordingly, include all subsidiary companies except Borax & Chemicals Limited, a wholly-owned subsidiary in the United Kingdom. All subsidiaries included in consolidation are wholly-owned except American Lithium Chemicals, Inc. (53% owned) and San Antonio Chemicals, Inc. (53% owned). Significant intercompany balances and transactions are eliminated in consolidation.

At December 31, 1957, the Company's investment in consolidated subsidiaries was \$1,766,863 less than its equity in the net assets of the subsidiaries as shown by their books. This difference, representing net earnings of the subsidiaries since acquisition (of which \$1,066,863 is undistributed and \$700,000 has been capitalized by payment of a stock dividend by one subsidiary), is included in earned surplus in consolidation.

The Company's wholly-owned subsidiary in the United Kingdom owns all the outstanding shares of George H. Poole & Son (Bootle) Limited, also in the United Kingdom. These two subsidiaries are not significant subsidiaries and are not included in consolidation. However, all intercompany profit in the inventory of Borax & Chemicals Limited has been eliminated from consolidated income.

2. INVENTORIES:

Finished products and products in process inventories used in arriving at cost of products sold are as follows: January 1, 1955, \$1,696,330; December 31, 1955, \$2,655,353; December 31, 1956, \$3,534,920; December 31, 1957, \$5,517,099.

3. INVESTMENT IN BORAX & CHEMICALS LIMITED:

This item consists of investment in capital stock, \$9,346, plus advances \$1,024,337, less reserve for intercompany profit in inventory of this subsidiary, \$104,779. At December 31, 1957 the subsidiary had a small earned surplus.

4. TRUST-DEED NOTES RECEIVABLE, NET:

The Company, through a consolidated subsidiary, finances employee home purchases at Trona under trust-deed notes out of funds obtained from a bank under a financing agreement. The obligation to the bank to repay these funds is being met out of collections on the trust-deed notes. Since the Company and its subsidiary, in substance, are acting largely as intermediaries and guarantors under this arrangement, the uncollected balances on the trust-deed notes, \$1,242,998 less the related obligation to the bank, \$1,128,818 have been shown as a net figure in the accompanying balance sheet. The trust-deed notes are assigned as collateral to the obligation to the bank.

5. PROPERTY AND RELATED RESERVES FOR DEPRECIATION AND AMORTIZATION:

With minor exceptions, and except as otherwise stated below, it is the policy of the companies to provide for depreciation on plants, equipment, and other facilities on the straight-line method at the following annual rates based upon the estimated service lives of the property:

Buildings	2% to 5 %
Plant machinery and equipment.....	2% to 12 %
Office machines	5% to 20 %
Automotive equipment	10% to 33 1/3 %

The operating plant and equipment of American Lithium Chemicals, Inc., and of San Antonio Chemicals, Inc., are being amortized over a period of five years which conforms with the period of the contract covering the sale of products that the major portion of the property was built to produce. The total cost of the property thus being amortized amounts to approximately \$7,200,000.

Since January 1, 1943, provision for depreciation on railroad structures and equipment has been taken at composite rates approved by the Interstate Commerce Commission.

Mineral deposit leaseholds are being amortized over the twenty-year period of the leases. No provision is made for depletion of mineral deposits owned in fee since they are carried on the Company's books at a nominal amount of \$1. However, in determining its taxable income, the Company is entitled to deduct an allowance for percentage depletion with respect to both fee lands and leased lands, such allowance being equivalent generally to 15% of the gross income but not in excess of 50% of the net income from the properties.

Upon the retirement or other disposition of property, the related reserve is charged with the accumulated depreciation or amortization applicable thereto and any resultant profit or loss is credited or charged to income.

Maintenance, repairs, and renewals are charged to income as incurred; betterments are capitalized.

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

6. DEFERRED CHARGES:

Deferred charges include unamortized research, development, and plant tune-up costs of American Lithium Chemicals, Inc. and San Antonio Chemicals, Inc. in the amounts of \$526,186 and \$230,787 respectively. These costs are being amortized by charges to operations over a period of approximately five years which began in 1956 as to American Lithium Chemicals, Inc. and in 1957 as to San Antonio Chemicals, Inc.

7. FEDERAL TAXES ON INCOME:

The Federal income tax returns of the Company have been examined by the Treasury Department through 1953 and all additional assessments levied have been paid. The Treasury Department has proposed, for the years 1951 through 1954, additional assessments of Federal taxes on income of a subsidiary merged with the Company in 1956. The Company has not agreed to these assessments and they are currently being reconsidered by the Treasury Department. In the opinion of the Company, adequate provision for any taxes which may be paid as a result of these assessments has been made.

8. LONG-TERM DEBT:

The 4½% trust-deed note payable to bank by American Lithium Chemicals, Inc., is due in monthly instalments of \$109,070, including interest, with final maturity January 1, 1961. The plant property subject to the note is included in the accompanying balance sheet at a cost of approximately \$6,500,000.

The noninterest-bearing trust-deed notes payable are due in quarterly instalments of \$82,200 through 1962 and of \$77,550 thereafter until final maturity in 1968. A major portion of the Company's Henderson plant, included in the accompanying balance sheet at a cost of approximately \$7,500,000, is subject to these notes.

9. CAPITAL STOCK:

Information as to the number of shares of capital stock authorized and outstanding, etc. as of December 31, 1957 is as follows:

\$4 Cumulative Preferred Stock, Series A:	
Authorized and issued.....	53,200
Acquired in anticipation of requirement to redeem each year 2,100 shares, through purchase or sinking fund redemption.....	234
Class A Stock:	
Authorized	48,664
Issued and outstanding.....	10,451¾
Common Stock:	
Authorized	2,951,336
Reserved for:	
Exchange of Class A Stock.....	10,451¾
Issuance under restricted stock option plans.....	46,084
Issued and outstanding.....	1,897,992¼

Except as indicated above with respect to common stock none of the shares of capital stock of the Company or any of its subsidiaries were reserved for options, warrants, conversions, or other rights.

The Series A Preferred Shares are redeemable at the option of the Company at \$101.50 a share plus accrued dividends until April 1, 1958 and thereafter at prices ranging downward from \$101 to \$100 plus accrued dividends, and are entitled in the event of voluntary liquidation to the amount required to be paid upon redemption, and in the event of involuntary liquidation to \$100 a share, plus accrued dividends. The Company is required to redeem each year 2,100 shares of its Series A Preferred Stock, through purchase or sinking fund redemption, and as of December 31, 1957 had acquired 234 shares in anticipation of this requirement for 1958, leaving 1,866 additional shares to be purchased or redeemed on or before July 1, 1958.

10. STOCK OPTIONS:

A restricted stock option plan, approved by the stockholders on April 24, 1951, provided for the granting to officers and key executive employees of options to purchase a specified number of shares of Common Stock of the Company at 95% of the quoted market price of the stock on the day of granting the option. All options authorized under the foregoing original stock option plan which had not been granted as of January 1, 1956 were cancelled during 1956 and a supplementary restricted stock option plan providing for the granting of additional options (on the same basis as the original plan) on up to 40,000 shares (after the 2½-for-1 stock split in 1956) was approved by the stockholders. The plans are administered by a Stock Option Committee which consists of all of the directors of the Company who are not officers or employees or grantees under the plans. Options granted under the plans become exercisable by their terms as to 25% of the shares optioned after six months from the date the option was granted; as to 50% after one year; as to 75% after

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

two years, and as to 100% after three years. The options are for a term of seven years. No amounts are recorded in the Company's accounts for stock options until they are exercised, at which time the shares sold are recorded at the option price.

The following tabulations summarize information as to options which became exercisable and as to options which were exercised during the three years ended December 31, 1957, after adjustments for the effect of stock dividends and for the effect of a 2½-for-1 stock split in 1956:

Options which became exercisable:

Year Ended Dec. 31,	Number of Shares	Option Price		Market Quotation Value on Dates Exercisable	
		Per Share	Total	Per Share	Total
1955.....	14,518	\$10.56 to \$27.56	\$200,546	\$28.75 to \$40.33	\$452,615
1956.....	13,275	10.56 to 43.47	249,085	41.99 to 47.69	608,557
1957.....	9,424	14.11 to 49.40	295,684	35.75 to 56.75	461,991

Options which were exercised:

Year Ended Dec. 31,	Number of Shares	Option Price		Market Quotation Value on Dates Exercised	
		Per Share	Total	Per Share	Total
1955.....	18,681	\$10.56 to \$14.11	\$217,497	\$25.86 to \$40.61	\$ 628,762
1956.....	24,598	10.56 to 27.76	313,510	40.10 to 52.31	1,112,721
1957.....	5,464	12.17 to 43.47	98,464	35.75 to 61.00	289,713

Information as to options outstanding at December 31, 1957, after adjustment for the effect of stock dividends and for the effect of the 2½-for-1 stock split in 1956, is set forth in the following tabulation:

Date Granted	Number of Shares	Option Price		Market Quotation Value on Date Granted	
		Per Share	Total	Per Share	Total
May 1, 1953.....	293	\$10.56	\$ 3,094	\$11.12	\$ 3,258
May 3, 1954.....	447	14.11	6,307	14.85	6,638
June 8, 1955.....	4,220	27.76	117,147	29.22	123,308
May 17, 1956.....	8,061	43.47	350,412	45.75	368,791
April 30, 1957.....	9,050	49.40	447,070	52.00	470,600
Total	22,071		\$924,030		\$972,595

Options outstanding at December 31, 1957 were exercisable at that date except for 12,597 shares which will become exercisable in future years as follows: 6,038 in 1958, 4,296 in 1959, and 2,263 in 1960. At December 31, 1957, under the supplementary restricted stock option plan, there were options for 24,013 shares authorized but not granted.

11. EARNED SURPLUS:

The changes in consolidated earned surplus, during the three years ended December 31, 1957, are shown in the following tabulation:

	Years Ended December 31,		
	1955	1956	1957
Balance, January 1.....	\$ 9,846,409	\$10,373,736	\$11,034,991
Add:			
Net income for the year.....	4,060,192	5,103,091	4,706,235
Unused portion of Retirement Plan Reserve....	269,150	—	—
Total	\$14,175,751	\$15,476,827	\$15,741,226
Deduct—Dividends declared:			
\$4 Cumulative Preferred Stock, Series A.....	\$ 229,559	\$ 220,057	\$ 213,064
Class A and Common Stock (on the basis of \$.95 in 1955, and \$1 in 1956 and 1957 on shares outstanding after adjustment for a 2½-for-1 stock split in 1956).....	1,416,016	1,692,635	1,906,393
Stock dividend of 4% in 1955 and 3% in 1956 payable in Common Stock to holders of Class A and Common Stock (stated at ap- proximate market value).....	2,156,440	2,529,144	—
Total	\$ 3,802,015	\$ 4,441,836	\$ 2,119,457
Balance, December 31.....	\$10,373,736	\$11,034,991	\$13,621,769

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

The availability of earned surplus for the payment of dividends on or purchase or redemption of Class A and Common stock is affected by the provisions in the Certificate of Incorporation relating to the Preferred Stock and by the provisions of the financing agreement with a bank (See Note 4) which requires the Company to maintain a consolidated net worth of \$18,000,000 and a consolidated net working capital of \$2,000,000. As of December 31, 1957 the entire earned surplus was unrestricted under the provisions of the Certificate of Incorporation and \$9,713,970 was unrestricted under the provisions of the financing agreement. For further details of the restrictions under the Certificate of Incorporation see "Restrictions in Certificate of Incorporation" under "Description of Securities of the Surviving Corporation".

12. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company is committed to construct a plant to manufacture sodium chlorate at Aberdeen, Mississippi. The estimated cost of this plant is \$4,500,000.

At December 31, 1957 the Company was guarantor of \$400,000 of the \$800,000 unsecured short-term notes payable to bank by American Lithium Chemicals, Inc.

Also see Note 4 relating to financing of employee home purchases at Trona.

13. ACQUISITION OF AMERICAN POTASH & CHEMICAL CORPORATION (NEVADA), FORMERLY WESTERN ELECTROCHEMICAL COMPANY:

During 1954 and 1955 the Company acquired all the outstanding capital stock of American Potash & Chemical Corporation (Nevada) by issuance of the Company's own Common stock which was recorded at its market value on the dates issued. It became a wholly-owned subsidiary in November 1955, and has been included in the consolidated financial statements since November 1, 1955.

This subsidiary was merged into the Company as of June 30, 1956. In recording the assets and liabilities of the subsidiary on the books of the Company at the time of the merger, the excess, \$3,622,164, of the cost to the Company of the capital stock of the subsidiary over the subsidiary's net assets, as shown by its books as of November 1, 1955, has been considered as part of the cost of plant property. Such property has been recorded on the Company books, as of the date of the merger, at its net book value on the subsidiary's books plus the aforementioned excess cost, less amortization of such excess costs to date of merger. In all other respects the assets and liabilities were recorded on the Company's books at the amounts at which carried on the subsidiary's books.

14. INCOME FROM TRONA RAILWAY COMPANY:

The amounts included in consolidated income and designated as "Income From Trona Railway Company Before Provision for Taxes on Income" consist of the following for the three years ended December 31, 1957:

	Year Ended December 31,		
	1955	1956	1957
Railway operating revenues.....	\$1,197,150	\$1,226,647	\$1,094,633
Deduct:			
Railway operating expenses:			
Repairs and maintenance.....	262,713	238,334	213,579
Depreciation.....	44,693	44,885	45,178
Other.....	276,869	290,895	312,928
Other expenses:			
Railway taxes (principally property taxes).....	66,181	67,320	71,997
Rents.....	66,079	62,681	61,626
Miscellaneous expenses (net).....	11,913	8,472	5,145
Total.....	728,448	712,587	710,453
Income before provision for taxes on income.....	\$ 468,702	\$ 514,060	\$ 384,180

Approximately 79% in 1955, 77% in 1956, and 79% in 1957 of the operating revenue shown in the above tabulation was derived from the Company and its customers, most of which applied to customers. Freight paid by the Company for the account of its customers is excluded from the Company's income accounts.

15. RETIREMENT PLAN:

The Company and its domestic subsidiaries pay the entire cost of a retirement plan underwritten by John Hancock Mutual Life Insurance Company for employees who have been employed for two years and have complied with the other conditions provided by the plan. The cost of the plan for 1957 amounted to \$475,065.

**AMERICAN POTASH & CHEMICAL CORPORATION AND
CONSOLIDATED SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS—(Concluded)

16. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Information as to repairs and maintenance, depreciation, taxes, etc. for the three years ended December 31, 1957 is shown in the following tabulation:

	Year Ended December 31.		
	1955	1956	1957
Maintenance and repairs—Cost of products sold.....	\$2,583,650	\$3,541,915	\$3,776,573
Depreciation and amortization:			
Cost of products sold.....	1,927,944	3,843,525	4,213,123
Selling, administrative, and general expenses.....	31,313	45,948	66,611
Taxes, other than taxes on income:			
Cost of Products sold:			
Property taxes	252,761	326,208	349,693
Payroll taxes, etc.....	174,792	238,666	266,568
Selling, administrative, and general expenses:			
Property taxes	12,436	14,744	22,888
Payroll taxes, etc.....	22,945	37,755	40,580
Rents:			
Cost of products sold.....	133,608	68,561	60,798
Selling, administrative, and general expenses.....	62,051	71,042	98,349
Royalties:			
Cost of products sold.....	546,286	532,708	503,561
Selling, administrative, and general expenses.....	20,318	19,809	19,689

The above tabulation does not include (a) amounts applicable to Trona Railway Company which are shown separately in Note 14, (b) minor amounts charged to expenses of the Mercantile Department, and (c) minor amounts of maintenance and repairs charged to selling, administrative, and general expenses.

There were no management or service contract fees.

CERTIFICATE OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

LINDSAY CHEMICAL COMPANY
West Chicago, Illinois

We have examined the balance sheet of Lindsay Chemical Company as at December 31, 1957 and the related summary of earnings (appearing in this Proxy Statement under the heading "Certain Financial and Accounting Data—Earnings") and statement of surplus for the five years ended on that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet as at December 31, 1957 and statements of earnings and surplus for the five years then ended, and the notes thereto, present fairly the financial position of the company and the results of its operations for those years, in conformity with generally accepted accounting principles applied on a consistent basis.

SCOVELL, WELLINGTON & COMPANY

Chicago
February 24, 1958.

LINDSAY CHEMICAL COMPANY

BALANCE SHEET AS AT DECEMBER 31, 1957

CURRENT ASSETS:

Cash	\$ 238,783	
Marketable investments, U. S. treasury bills at cost (quoted value same)	198,553	
Accounts receivable:		
Trade	823,045	
Other	1,125	
Inventories, at lower of cost or market (Note A):		
Finished products	208,013	
Materials and supplies	2,957,776	
Prepaid insurance and expenses	33,882	
Total current assets		\$4,461,177

Non-current investment:

Life insurance, cash surrender value	55,000
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Property, at cost (Note B):

Land	60,020	
Operating plants and equipment	4,287,057	
Total	4,347,077	
Less: Reserves for depreciation and amortization	1,318,614	3,028,463

GOODWILL	1
	<u>\$7,544,641</u>

CURRENT LIABILITIES:

Accounts payable, trade	91,495	
Tax from payrolls	18,869	
Accrued liabilities:		
Federal taxes on income	561,372	
Other taxes	23,836	
Payrolls	37,990	
Total current liabilities		\$ 733,562

DEFERRED FEDERAL INCOME TAXES RESULTING FROM AMORTIZATION IN EXCESS OF NORMAL DEPRECIATION (Note C)	470,200
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CAPITAL STOCK AND SURPLUS:

7% cumulative preferred stock, \$2 par value, authorized and outstanding, 125,000 shares (Note E)	250,000	
Common stock, \$1 par value, authorized 1,000,000 shares, issued and outstanding, 361,614 shares	361,614	
Paid-in surplus	1,532,366	
Earned surplus (Note F (4) and (5))	4,196,899	6,340,879

COMMITMENTS AND CONTINGENT LIABILITIES (Note F (4) and (5))

\$7,544,641

The accompanying Notes to Financial Statements are an integral part of this statement.

LINDSAY CHEMICAL COMPANY

STATEMENT OF SURPLUS

For the Five Years Ended December 31, 1957

	Year ended December 31				
	1953	1954	1955	1956	1957
EARNED SURPLUS					
Earned surplus, beginning of year.....	\$1,810,048	\$1,929,176	\$1,902,848	\$2,483,653	\$3,586,576
Add Net income (Note F).....	322,628	402,414	815,273	1,337,391	989,437
	<u>\$2,132,676</u>	<u>\$2,331,590</u>	<u>\$2,718,121</u>	<u>\$3,821,044</u>	<u>\$4,576,013</u>
Deduct Transfer to stated capital.....	\$ —	\$ 240,000(1)	\$ —	\$ —	\$ —
Cash dividends declared and paid					
Preferred, 7% cumulative					
Aggregate amount	17,500	17,500	17,500	17,500	17,500
Amount per share.....	70¢	70¢	70¢	70¢	70¢
Common					
Aggregate amount	186,000	171,242	216,968	216,968	361,614
Amount per share.....	62¢ (2)	47.4¢	60¢	60¢	\$1.00
	<u>\$ 203,500</u>	<u>\$ 428,742</u>	<u>\$ 234,468</u>	<u>\$ 234,468</u>	<u>\$ 379,114</u>
Earned surplus, end of year (Notes C, F (4))	<u>\$1,929,176</u>	<u>\$1,902,848</u>	<u>\$2,483,653</u>	<u>\$3,586,576</u>	<u>\$4,196,899</u>

(1) To increase stated capital from \$310,000 to \$550,000 as per plan of recapitalization.

(2) After giving effect to the 5 for 1 split of common stock which became effective in 1954.

PAID-IN SURPLUS

Excess of net proceeds over par value of 61,614 shares of \$1 par value common stock issued during 1954	<u>\$ —</u>	<u>\$1,532,366</u>	<u>\$1,532,366</u>	<u>\$1,532,366</u>	<u>\$1,532,366</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

LINDSAY CHEMICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE A—The inventories at the beginning and end of the year ended December 31, 1957 were priced at the lower of cost (first-in, first-out principle) or replacement market and were determined by count, measurement and inspection of the stocks on hand.

The beginning and ending inventories used in computing the cost of goods sold, determined as above, were as follows:

December 31, 1952.....	\$ 421,815.00
December 31, 1953.....	700,617.00
December 31, 1954.....	2,090,693.00
December 31, 1955.....	2,984,803.00
December 31, 1956.....	3,113,612.76
December 31, 1957.....	3,165,789.36

NOTE B—Provisions for depreciation, amortization and obsolescence are computed on the straight line method applied to the cost of depreciable property.

During 1954, a new thorium plant was substantially completed. The cost of these facilities to December 31, 1957 was as follows:

Buildings	\$1,337,573.76
Machinery and equipment.....	1,747,354.13

These assets were acquired under Certificates of Necessity as to 70% of the total costs. For accounting purposes, only normal depreciation has been recorded on the total costs since July 1, 1954, the approximate date on which the plant was completed, to and including the year ended December 31, 1957 (See Note C).

The annual depreciation rates applied to the major classes of depreciable property have been as follows:

Buildings, original plant.....	5% to 20%
Buildings, new plant.....	4%
Railroad spur	3%
Sump and well.....	10%
Machinery and equipment.....	10%
Automobiles and trucks.....	25%

All expenditures for maintenance and repairs are charged direct to profit and loss, while expenditures for renewals and betterments are capitalized. It is the general policy of the company to relieve the property accounts and the related reserves for items sold or otherwise disposed of. Profits or losses on sales and disposals are credited or charged to profit and loss.

NOTE C—It is the company's practice for accounting purposes to record only normal depreciation on assets acquired under Certificates of Necessity, but for tax purposes it also deducts accelerated amortization in excess of normal depreciation on such assets over a period of sixty months. The tax on the accelerated amortization is being deferred with the intention of writing it off over the remaining useful life of the assets following the end of the sixty months' period by transfers to tax expense.

NOTE D—It is the company's policy to charge to cost of sales all research, development and patent expenses, whether or not patents are acquired as a result of such research and development.

Under the company's policy, any patents specifically purchased would be capitalized and amortized over the applicable patent life.

NOTE E—The 7% cumulative preferred stock is non-callable and non-participating in surplus upon liquidation.

NOTE F—Commitments and contingent liabilities:

- (1) The company contributes to the Lindsay Pension Trust one-half the cost of annuities purchased for participating employees. Participation by salaried employees is required of those who have been continuously employed for two years on any April 1. The annual cost to the company is estimated at approximately \$10,000. There are presently no unfunded costs.
- (2) During the year a Supplementary Retirement Plan was adopted under which the estimated cost of funding the past service credits of the participants was approximately \$298,138. It is the present intention of the company to liquidate this liability over the next 11¼ years.
- (3) The company also adopted a Restricted Stock Option Plan for certain of its key employees and officers. Under the plan, a maximum of 15,000 shares of the company's unissued common stock may be issued without regard to the preemptive rights of the shareholders.

LINDSAY CHEMICAL COMPANY

NOTES TO FINANCIAL STATEMENTS—(Concluded)

- (4) The company is subject under federal statutes to renegotiation of government contracts in connection with a relatively small portion of its business. While the results of such renegotiations cannot now be determined, they should have no significant effect on the accompanying financial statements.
- (5) The company was contingently liable at December 31, 1957 under commercial letters of credit in the amount of approximately \$357,000.

NOTE G—SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Five Years ended December 31, 1957

	Charged Directly to		
	To Cost of Sales	Other	Total
Maintenance and repairs:			
1953.....	\$253,774	\$ —	\$253,774
1954.....	337,926	—	337,926
1955.....	747,042	—	747,042
1956.....	848,396	—	848,396
1957.....	906,197	—	906,197
Depreciation and amortization of fixed and intangible assets:			
1953.....	40,021	—	40,021
1954.....	145,897	5,076	150,973
1955.....	248,789	2,723	251,512
1956.....	266,435	2,760	269,195
1957.....	302,513	—	302,513
Taxes, other than income taxes:			
1953.....	16,390	1,591	17,981
1954.....	30,816	4,190	35,006
1955.....	40,073	2,732	42,805
1956.....	47,341	3,759	51,100
1957.....	54,139	3,928	58,067
Management and service contract fees—None.....	—	—	—
Rents and royalties (of no consequence).....	—	—	—

RESOLUTION

RESOLVED, that the Certificate of Incorporation of the Corporation, as heretofore amended (including as a part of said Certificate of Incorporation the Agreement of Merger and Consolidation dated June 4, 1926, between American Trona Corporation and American Potash & Chemical Corporation, as heretofore amended) be further amended as follows:

1. By striking out the first four paragraphs of Article Fourth and inserting in lieu of the paragraphs so stricken the following:

"FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 3,056,950 shares, all of which shares shall be shares without par value. The shares of the Corporation shall consist of 53,200 shares of Preferred Stock without par value (hereinafter called 'Preferred Stock'), 3,750 shares of Special Preferred Stock without par value (hereinafter called 'Special Preferred Stock'), and 3,000,000 shares of Common Stock without par value (hereinafter called 'Common Stock').

"Upon the filing and recording of this Amendment to the Certificate of Incorporation as required by the laws of Delaware every outstanding share of Class A Stock and every share of Class A Stock in the treasury of the Corporation shall ipso facto and without any other action on the part of the respective holders thereof, effective at the close of business on the day of such recording, be changed each into one share of Common Stock; and outstanding certificates for Class A Stock shall without further change represent an equivalent number of shares of Common Stock.

"Holders of certificates representing shares of Class A Stock which are changed into Common Stock are entitled upon the surrender of such certificates to the Corporation for cancellation, to receive a new certificate or certificates expressed to represent a like number of shares of Common Stock."

2. By adding a new subdivision II of Article Fourth to read as follows:

"II. SPECIAL PREFERRED STOCK

"1. *Series.* The Special Preferred Stock shall consist of a single series of 3,750 shares.

"2. *Dividends.* After full cumulative dividends upon all series of the Preferred Stock then outstanding shall have been paid or set apart for payment for all past quarterly dividend periods, and after or concurrently with making payment of or provision for full dividends upon all series of Preferred Stock then outstanding to the end of the current quarterly dividend period, and after or concurrently with the setting aside of any and all amounts then or theretofore required to be set aside for any sinking fund for any series of the Preferred Stock then outstanding with sinking fund requirements, the holders of the shares of ~~Special~~ Preferred Stock then outstanding shall be entitled to receive, when and as declared by the Board of Directors, out of any funds of the Corporation lawfully available for dividends under the laws of the State of Delaware, quarterly dividends at the rate of \$5.00 per share per annum, on the fifteenth days of March, June, September and December in each year, accruing from April 1, 1958, before any distribution, whether by way of dividends or otherwise, shall be declared or paid upon or set apart for the Common Stock of the Corporation or any other stock of the Corporation junior to the Special Preferred Stock.

"Such dividends shall be cumulative so that if, in any quarterly dividend period or periods, dividends upon the outstanding Special Preferred Stock shall not have been paid or set apart for payment, the deficiency shall be paid or set apart before any distribution, whether by way of dividends or otherwise, shall be declared or paid upon or set apart for the Common Stock or any other stock of the Corporation

junior to the Special Preferred Stock and before any stock of the Corporation, except stock having a preference over the Special Preferred Stock, shall be redeemed or purchased other than by the application of sinking fund moneys theretofore set aside.

"3. *Redemption.* The Corporation may redeem all or any part of the Special Preferred Stock then outstanding, at any time or from time to time, without redeeming any other part, at the following prices:

\$108.00 per share if redeemed on or before December 31, 1960;
106.00 per share if redeemed thereafter and on or before December 31, 1963;
104.00 per share if redeemed thereafter and on or before December 31, 1966;
103.50 per share if redeemed thereafter and on or before December 31, 1969;
103.00 per share if redeemed thereafter and on or before December 31, 1972;
102.50 per share if redeemed thereafter and on or before December 31, 1975;
102.00 per share if redeemed thereafter and on or before December 31, 1978;
101.50 per share if redeemed thereafter and on or before December 31, 1981;
101.00 per share if redeemed thereafter and on or before December 31, 1984;
100.50 per share if redeemed thereafter and on or before December 31, 1987;
100.00 per share if redeemed thereafter.

If less than all the outstanding shares of Special Preferred Stock shall be redeemed, the shares to be called for redemption shall be selected by lot or in such other manner as the Corporation shall determine. Notice of every such redemption shall be mailed at least 30 days prior to the date set for such redemption to the holders of record of the shares so to be redeemed at their respective addresses as the same shall appear on the books of the Corporation.

"From and after the date fixed in such notice as the date of redemption, unless default shall be made by the Corporation in providing moneys at the time and place specified for the payment of the redemption price of the shares of Special Preferred Stock so called for redemption, or if the Corporation shall so elect, from and after a date (which shall be prior to the redemption date and which, together with the fact of such election, shall be set forth in the notice of redemption) on which the Corporation shall provide moneys for the payment of the redemption price plus accrued dividends to the redemption date by depositing the amount thereof for the account of the holders of the shares of Special Preferred Stock entitled thereto with a bank or trust company doing business in the Borough of Manhattan, City, County and State of New York and having capital and surplus of at least five million dollars (\$5,000,000), all dividends on the shares of Special Preferred Stock thereby called for redemption shall cease to accrue and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price plus the amount equal to the accrued dividends to the redemption date, shall cease and determine. Any moneys provided by the Corporation for the payment of the redemption price of shares of Special Preferred Stock which shall remain unclaimed by the holders of the shares of Special Preferred Stock entitled thereto at the end of six years after such redemption date, together with the interest thereon, if any, which shall be allowed by such bank or trust company with which such moneys shall have been deposited, shall be paid by such bank or trust company to the Corporation and shall revert to the treasury of the Corporation and be available by the Corporation for the redemption of shares of Special Preferred Stock; provided, however, that thereafter such holders, if and when they shall make claim therefor, shall be paid the redemption price plus accrued dividends to the redemption date, of the Special Preferred Stock (but without interest thereon) from any funds of the Corporation then available for that purpose. No shares of the Special Preferred Stock redeemed, purchased or retired shall be reissued.

"4. *Rights upon liquidation.* In the event of voluntary dissolution or winding up of the Corporation, after all payments to which holders of Preferred Stock shall be entitled shall have been made, the holders of Special Preferred Stock shall be entitled to be paid out of the assets of the Corporation, whether from capital, surplus or earnings, before any payment shall be made to the holders of the Common Stock of the Corporation or any other stock of the Corporation junior to the Special Preferred Stock, an amount per share equal to the amount per share which the Corporation would be required to pay pursuant to section 3

if the Corporation redeemed said shares in the manner provided in section 3 on the date of said liquidation, dissolution or winding up of the Corporation, and an amount per share equal to the dividends accumulated and unpaid thereon, whether or not earned or declared. In the event of involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Special Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation, whether from capital, surplus or earnings, before any payment shall be made to the holders of the Common Stock or any other stock of the Corporation junior to the Special Preferred Stock, the sum of \$100 per share and an amount equal to the accrued dividends thereon, whether or not earned or declared. A consolidation or merger of the Corporation with any other corporation or corporations shall not be regarded as liquidation, dissolution or winding up of the Corporation within the meaning of this section 4.

"5. *Restriction on certain corporate action.* So long as any of the Special Preferred Stock shall be outstanding, the Corporation shall not, without the consent given in writing to the extent permitted by the laws of the State of Delaware or the affirmative vote of the holders of at least two-thirds of the aggregate number of shares of Special Preferred Stock at the time outstanding, such vote to be taken at a meeting duly called and held for the purpose.

- (i) alter, change or repeal the voting powers, designations, preferences or relative, participating, optional or other special rights of the Special Preferred Stock, or the qualifications, limitations or restrictions thereof or any other provisions of the Certificate of Incorporation of the Corporation so as to affect such stock adversely; or
- (ii) increase the authorized number of shares of Preferred Stock or Special Preferred Stock or authorize any new class of stock having preference over, or being on a parity with, the Special Preferred Stock, or being convertible into the Special Preferred Stock or any such new class of stock.

3. By striking out all of present subdivision II of Article Fourth and in lieu thereof substituting the following:

"III. COMMON STOCK

"1. *Dividends.* After full cumulative dividends upon all series of the Preferred Stock and upon all shares of the Special Preferred Stock then outstanding shall have been paid or set apart for payment for all past quarterly dividend periods, and after or concurrently with making payment of or provision for full dividends upon all series of the Preferred Stock and upon all shares of the Special Preferred Stock then outstanding to the end of the current quarterly dividend period, and after or concurrently with the setting aside of any and all amounts then or theretofore required to be set aside for any sinking fund for any series of the Preferred Stock, then and not otherwise, and subject to the limitations of section 9 of subdivision I hereof, dividends may be declared upon and paid to the holders of the Common Stock or any other stock of the Corporation junior to the Preferred Stock and to the Special Preferred Stock, to the exclusion of the holders of the Preferred Stock and of the holders of the Special Preferred Stock.

"2. *Liquidation.* In the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after payment in full of the amounts required to be paid to the holders of all series of the Preferred Stock and of all shares of Special Preferred Stock then outstanding, the holders of the Common Stock or any other stock of the Corporation junior to the Preferred Stock and to the Special Preferred Stock then outstanding shall be entitled, to the exclusion of the holders of the Preferred Stock and of the holders of the Special Preferred Stock, to share ratably in all remaining assets of the Corporation.

"3. *Voting.* Except as otherwise required by the laws of the State of Delaware, and except as provided in subdivision I hereof or any resolutions of the Board of Directors pursuant to subdivision I hereof the holders of the shares of the Common Stock shall exclusively possess the voting power of the Corporation for the election of directors and for all other purposes.

"4. *Common Stock.* The term 'Common Stock,' whenever in its context shall be appropriate, shall include stock previously designated as Class A Stock or Class B Stock."

4. By renumbering subdivision III and IV of Article Fourth to be subdivisions IV and V and in renumbered subdivision V by striking the first ten words of section 3 and substituting in lieu thereof the words "As used in subdivision I and II hereof, and in this subdivision V," and in section 4 by inserting following the words "Preferred Stock" the additional words "or to the shares of Special Preferred Stock."

5. By striking out wherever they shall appear in the remainder of said Certificate of Incorporation the words "Class A Stock or" and the words "Class A Stock and."

AGREEMENT OF MERGER

AGREEMENT OF MERGER, dated as of February 21, 1958, between AMERICAN POTASH & CHEMICAL CORPORATION, a Delaware corporation ("POTASH"), and a majority of the directors thereof, and LINDSAY CHEMICAL COMPANY, an Illinois corporation ("LINDSAY"), said two corporations being collectively called "the CONSTITUENT CORPORATIONS",

WITNESSETH:

WHEREAS POTASH is a corporation duly organized and existing under the laws of the State of Delaware having authorized capital stock consisting of 53,200 shares of \$4 cumulative preferred stock, Series A, of which 50,716 shares are issued and outstanding, and 2,484 shares are held in the treasury of the Company, and 48,664 shares of Class A stock and 2,951,336 shares of Common stock, of which an aggregate of 1,508,444 shares are issued and outstanding, and

WHEREAS LINDSAY is a corporation duly organized and existing under the laws of the State of Illinois, having authorized capital stock consisting of 125,000 shares of 7% Cumulative Preferred Stock (par value \$2.00), of which 125,000 shares are issued and outstanding, and 1,000,000 shares of Common Stock (\$1.00 par value) of which 361,614 shares are issued and outstanding, and

WHEREAS, Section 252 of Title 8 of the Delaware Code of 1953 authorizes the merger of corporations organized under the laws of other states into a corporation organized under the General Corporation Law of Delaware, and Section 69(a) of the Business Corporation Act of the State of Illinois authorizes the merger of a corporation organized under the laws of the State of Illinois into a corporation organized under the laws of another state, and

WHEREAS the boards of directors of the CONSTITUENT CORPORATIONS deem it advisable that said corporations merge and have duly approved the form of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants herein contained, it is agreed that LINDSAY shall be and hereby is merged into POTASH, and that POTASH shall be the surviving corporation under the name AMERICAN POTASH & CHEMICAL CORPORATION, and that the terms and conditions of said merger and the mode of carrying the same into effect are and shall be as follows:

ARTICLE I

The Certificate of Incorporation of POTASH as in effect upon the merger becoming effective as herein provided shall remain the Certificate of Incorporation under which the business of AMERICAN POTASH & CHEMICAL CORPORATION, the surviving company ("the COMPANY"), is to be conducted, subject, nevertheless to amendment from time to time thereafter in the manner now or hereafter prescribed by law.

Prior to the merger becoming effective as herein provided, POTASH will cause its Certificate of Incorporation to be amended to authorize the issuance of 3,750 shares of Special Preferred Stock, to bear dividends at the rate of \$5.00 per annum fully cumulative, to be subordinate as to rights to dividends and upon liquidation to the Preferred Stock of POTASH and to be callable at any time in whole or in part at the following prices:

- \$108.00 per share if redeemed on or before December 31, 1960;
- 106.00 per share if redeemed thereafter and on or before December 31, 1963;
- 104.00 per share if redeemed thereafter and on or before December 31, 1966;
- 103.50 per share if redeemed thereafter and on or before December 31, 1969;
- 103.00 per share if redeemed thereafter and on or before December 31, 1972;
- 102.50 per share if redeemed thereafter and on or before December 31, 1975;
- 102.00 per share if redeemed thereafter and on or before December 31, 1978;
- 101.50 per share if redeemed thereafter and on or before December 31, 1981;
- 101.00 per share if redeemed thereafter and on or before December 31, 1984;
- 100.50 per share if redeemed thereafter and on or before December 31, 1987;
- 100.00 per share if redeemed thereafter.

ARTICLE II

The By-laws of POTASH in effect immediately prior to the effective date of the merger shall be the By-laws of the COMPANY until the same shall be altered, amended, or repealed.

The By-laws of POTASH as now in effect provide that the Board of Directors shall consist of 9 directors but that such number may be increased or decreased as provided in said By-laws. These By-laws will be amended to provide for a board of 10 directors. Initially, the Board of Directors of the COMPANY shall consist of the persons who are directors of POTASH when the merger becomes effective, together with Charles R. Lindsay, III, West Chicago, Illinois, each of whom shall hold office until his respective successor is duly elected and qualified.

ARTICLE III

This Agreement shall be submitted to the stockholders of the CONSTITUENT CORPORATIONS in accordance with the applicable laws of the States of Delaware and Illinois at meetings which shall be held on or before April 30, 1958, or such later date as the board of directors of each of the CONSTITUENT CORPORATIONS shall approve, and if this Agreement is duly approved by the requisite votes of such stockholders and if this Agreement is not terminated and abandoned pursuant to the provisions of Article VII hereof, then, within thirty days after approval by said stockholders this Agreement shall be filed and recorded in accordance with the laws of the State of Delaware and Articles of Merger shall be filed in the office of the Secretary of State of Illinois and recorded in accordance with the laws of Illinois. The date on which the merger becomes effective under the laws of the States of Delaware and Illinois shall be deemed to be the effective date of the merger for the purposes of this Agreement and the separate existence of LINDSAY, except insofar as it may be continued by statute, shall thereupon cease.

ARTICLE IV

The manner and basis of converting the shares of LINDSAY into shares of the COMPANY upon this Agreement becoming effective as provided in Article II hereof, shall be as follows:

- A. Each share of Common stock of LINDSAY issued and outstanding shall be converted into one share of Common stock of the COMPANY and each holder of shares of such stock of LINDSAY, upon surrender to the COMPANY or to its duly authorized agent for cancellation of one or more certificates representing such shares, shall thereafter be entitled to receive one or more certificates representing the number of full shares of Common stock of the COMPANY to which such holder is entitled.
- B. Each share of 7% Cumulative Preferred Stock of LINDSAY issued and outstanding shall be converted into three one-hundredths of a share of Special Preferred stock of the COMPANY, and each holder of shares of such stock of LINDSAY, upon surrender to the COMPANY or to its duly authorized agent for cancellation of one or more certificates representing such shares, shall thereafter be entitled to receive one or more certificates representing the number of full shares of Special Preferred stock of the COMPANY to which such holder is entitled as above provided.
- C. Each share of Class A stock, Common stock and Preferred stock of POTASH shall remain unchanged.
- D. No fractional shares of stock of the COMPANY shall be issued in connection herewith. In lieu of issuance of fractional shares of Special Preferred stock of the COMPANY, there will be paid to the holders of 7% Cumulative Preferred Stock of LINDSAY who, on the basis of the conversion ratio above provided, would be entitled to a fractional share interest, the cash equivalent of such fractional share interest calculated on the basis of one hundred dollars for each share of Special Preferred stock of the COMPANY to which such stockholders would, on the basis of said conversion ratio, be entitled.

- E. Until surrender as above provided, each outstanding certificate which prior to the merger becoming effective represented shares of stock of LINDSAY shall be deemed, for all corporate purposes other than the payment of dividends, to evidence ownership of the number of full shares of stock of the COMPANY into which the same shall have been converted as provided above. No dividend payable to the holders of record of stock of the COMPANY as of any date subsequent to the effective date of this merger shall be paid to the holders of outstanding certificates of LINDSAY, but upon such surrender of any such outstanding certificate or certificates, there shall be paid to the record holder of the certificate or certificates of stock of the COMPANY into which such shares shall have been so converted, the amount of dividends which theretofore became payable with respect to such shares of stock of the COMPANY.

ARTICLE V

On the effective date of the merger, all of the estate, property, rights, privileges, powers, franchises and interests of LINDSAY and all its property, real, personal and mixed, and all the debts due on whatever account to it as well as all choses in action belonging to it, shall be vested, and those of POTASH shall continue to be vested, in the COMPANY, without further act or deed and all claims, demands, property and every other interest shall be effectually the property of the COMPANY as they were of the CONSTITUENT CORPORATIONS and the title of all real estate vested in either of the CONSTITUENT CORPORATIONS shall not be deemed to revert or be in any other way impaired by reason of the merger but shall be vested in the COMPANY. None of the provisions contained in the certificate of incorporation of LINDSAY, as amended, shall apply to the COMPANY. All rights of creditors and all liens upon any property of LINDSAY shall be preserved unimpaired, limited to the property affected by such lien immediately prior to the effective date of this Agreement, and all debts, liabilities, duties and contractual obligations of LINDSAY SHALL thenceforth attach to and are hereby assumed by the COMPANY and may be enforced against it to the same extent as if such debts, liabilities, duties and contractual obligations had been incurred or contracted by it.

Upon the effective date of the merger, each outstanding option to purchase Common Stock of LINDSAY granted under its Stock Option Incentive Plan for Key Employees shall forthwith be converted into an option to purchase a number of authorized but unissued shares of the Common Stock of POTASH equal to the number of shares of the Common Stock of LINDSAY purchasable thereunder and at the same purchase price. Each such option shall otherwise be, and continue to be, upon the terms and conditions applicable thereunder immediately prior to the effective date of the merger. The conversion of such outstanding options into options to purchase shares of Common Stock of POTASH shall not diminish or reduce the number of shares of POTASH Common Stock for which options may be granted pursuant to the Restricted Stock Option Plan of POTASH approved April 24, 1956, but no further options shall be granted under the LINDSAY Stock Option Incentive Plan for Key Employees after the date of this Agreement.

LINDSAY hereby agrees, to the extent permitted by law, from time to time, as and when requested by the COMPANY, or by its successors or assigns, to execute and deliver, or cause to be executed or delivered, all such deeds and instruments and to take, or cause to be taken, such further or other action as the COMPANY may deem necessary or desirable in order to vest in and confirm to the COMPANY title to and possession of any property of LINDSAY acquired or to be acquired by reason of or as a result of the merger herein provided for, and otherwise to carry out the intent and purposes hereof, and the proper officers and directors of LINDSAY and the proper officers and directors of the COMPANY are fully authorized in the name of LINDSAY or otherwise, to take any and all such action.

ARTICLE VI

The COMPANY agrees that it may be served with process in the State of Illinois in any proceeding for the enforcement of any obligations of LINDSAY as well as for enforcement of any obligations of the COMPANY

arising from the merger, including any suit or other proceeding to enforce the right of any stockholder as determined in appraisal proceedings, pursuant to the provisions of section 70 of the Illinois Business Corporation Act, and the Company hereby irrevocably appoints the Secretary of State of Illinois as its agent to accept service of process in any such suit or other proceeding and specifies 3030 West Sixth Street, Los Angeles 54, California as the address to which a copy of such process shall be mailed by the Secretary of State of Illinois, and agrees to pay promptly to the dissenting shareholders of LINDSAY any amount to which they may be entitled under the laws of Illinois with respect to dissenting shareholders.

ARTICLE VII

Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and abandoned prior to the effective date of the merger if

- A. The board of directors of each of the CONSTITUENT CORPORATIONS agrees to such termination, or
- B. In the judgment of the board of directors of either of the CONSTITUENT CORPORATIONS any material litigation shall be pending or threatened against or affecting either of the CONSTITUENT CORPORATIONS or any of their respective assets or the merger, which renders it inadvisable to proceed with the merger, or
- C. In the judgment of the board of directors of either of the CONSTITUENT CORPORATIONS, the other company has suffered any loss by fire, flood, tornado, riot, accident or other calamity, whether or not insured, which might substantially and adversely affect the value of its assets of business, or
- D. In the judgment of the board of directors of POTASH the merger is impracticable by reason of the possible exercise of such statutory rights (if any) of appraisal and payment of stock as the stockholders of the CONSTITUENT CORPORATIONS shall possess, or
- E. In the judgment of the board of directors of LINDSAY any changes in the certificate of incorporation of POTASH made prior to the effective date of the merger materially and adversely affect the contemplated position of the stockholders of LINDSAY, or
- F. This Agreement and the Articles of Merger are not duly approved by the stockholders of the CONSTITUENT CORPORATIONS on or prior to May 31, 1958.

In the event of termination and abandonment of this Agreement by the board of directors of either of the CONSTITUENT CORPORATIONS, as provided above, notice shall be given to the other, and thereupon, or upon the termination and abandonment of this Agreement by the board of directors of each of the CONSTITUENT CORPORATIONS, this Agreement shall be wholly void and of no effect and there shall be no liability on the part of either of the CONSTITUENT CORPORATIONS or of their respective boards of directors or stockholders.

ARTICLE VIII

LINDSAY shall not without the written consent of POTASH engage prior to the effective date of the merger in any activity or transaction or incur any obligation (whether by contract or otherwise) except in the ordinary course of business, nor shall it, without such consent, prior to such effective date issue or sell, or issue rights or options to purchase or subscribe to, or subdivide any shares of its capital stock, nor shall it, without such consent, prior to such effective date distribute or declare dividends or return of capital other than its customary preferred dividend of $1\frac{3}{4}\%$ for the first quarter of 1958.

IN WITNESS WHEREOF this Agreement has been signed by a majority of the directors of POTASH under its corporate seal in accordance with the laws of Delaware as of the day and year first above written, and LINDSAY has caused this Agreement to be signed on its behalf and its corporate seal to be affixed and attested by its duly authorized officers as of the day and year first above written.

(SEAL)

ATTEST:

FREDERICK MARSIC
Secretary

PETER COLEFAX

LLOYD L. AUSTIN

ROBERT B. COONS

DANIEL S. DINSMOOR

PARKER S. DUNN

A majority of the Directors of American Potash
& Chemical Corporation

LINDSAY CHEMICAL COMPANY

(SEAL)

ATTEST:

HOWARD E. KREMERS
Secretary

By CHARLES R. LINDSAY, III
President

[There follow the forms of affidavits and acknowledgments required by Delaware law to be executed after the Special Meetings of Stockholders.]

AGREEMENT OF MERGER, dated as of October 20, 1967, between KERR-McGEE CORPORATION, a Delaware corporation and AMERICAN POTASH & CHEMICAL CORPORATION, a Delaware corporation, the said two corporations being herein sometimes collectively called or referred to as the Constituent Corporations, said Kerr-McGee Corporation being herein sometimes called or referred to as Kerr-McGee or the Surviving Corporation, and said American Potash & Chemical Corporation being herein sometimes called or referred to as American Potash or the Merged Corporation, and this instrument being herein sometimes called or referred to as this Agreement:

WITNESSETH :

WHEREAS, KERR-McGEE is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on November 9, 1932; and

WHEREAS, AMERICAN POTASH is a corporation duly organized and existing under the laws of the State of Delaware, having been incorporated on June 4, 1926; and

WHEREAS, the authorized capital stock of AMERICAN POTASH at June 30, 1967 consisted of (i) 3,000,000 shares of Common Stock, without par value, of which 2,337,857 shares were issued, including 226,800 shares held by Kerr-McGee, and all thereof except 1,500 (held in the treasury) were outstanding, (ii) 30,100 shares of \$4 Cumulative Preferred Stock, Series A, without par value, of which all thereof were issued and outstanding except for 232 shares acquired and held in the treasury in anticipation of sinking fund requirement, and (iii) 3,750 shares of \$5 Cumulative Special Preferred Stock, without par value, of which 3,724 shares were issued and outstanding; and

WHEREAS, the authorized capital stock of Kerr-McGee at June 30, 1967 consisted of 10,000,000 shares of Common Stock, of the par value of \$1.00 per share, of which 6,723,132 shares were issued and all thereof except 53,407 shares, held in the treasury, were outstanding; and

WHEREAS, the authorized shares of each said corporation are, at the date hereof, the same as hereinabove stated; and

WHEREAS, The Board of Directors of each of the Constituent Corporations deems it in the best interests of such corporation that the Constituent Corporations be merged responsive to the pertinent laws of the State of Delaware in the manner and with the effect herein provided;

NOW, THEREFORE, in consideration of the premises and of the agreements, covenants and provisions hereinafter contained, American Potash and Kerr-McGee, by and through appropriate action of their respective Boards of Directors, have agreed and hereby agree, with each other, as follows:

ARTICLE I

Subject to and in accordance with the applicable provisions of the laws of the State of Delaware and the further provisions hereof, American Potash shall be merged into Kerr-McGee, and Kerr-McGee shall be the Surviving Corporation.

ARTICLE II

Upon the date when, consistent with the provisions hereof, this Agreement is filed with the Secretary of State of the State of Delaware (said date being sometimes herein referred to as the "effective date of the merger,") :

1. The separate corporate existence of American Potash shall thereby and thereupon terminate and cease (except insofar as it may be or be deemed to be continued by reason of controlling law for special ends or for the specific purpose of confirming rights of the Surviving Corporation, certain provisions with respect to which are hereinafter contained) but the corporate existence and entity of Kerr-McGee shall continue unabated and it shall become and be the surviving corporate entity in the place and stead of American Potash; and each of the authorized, issued and outstanding shares of the Common Stock, without par value, of American Potash, other than 226,800 shares held by Kerr-McGee, shall be converted into and become duly authorized, validly issued, full paid shares of Kerr-McGee as follows:

(a) .306 share of the Common Stock of Kerr-McGee, of the par value of \$1.00 per share, and

(b) .125 share of the Series A Preferred Stock, without par value, of Kerr-McGee created pursuant to the provisions of Exhibits A and B hereto (hereinafter sometimes called Series A Preferred Stock);

2. Kerr-McGee, the Surviving Corporation, shall become and be vested with, and shall possess, all the estates, property, rights, privileges, powers and franchises (of both public and private nature) and interests of every and whatever kind of American Potash, the Merged Corporation, tangible and intangible, real, personal and mixed, and the Constituent Corporations hereby refer to, and expressly adopt as if herein repeated, all of the provisions of Section 259 (Subchapter IX) of Chapter I, Title 8 of the Delaware Code (entitled General Corporation Law of the State of Delaware) as it is now constituted; and

Incident to the foregoing it is further stipulated and agreed:

3. As it may appear necessary or desirable in order more fully to satisfy an interested party respecting the vesting of ownership in and the complete enjoyment by the Surviving Corporation, or its nominee, of any or all of the property, rights and interests of the Merged Corporation, there may be, in the name of American Potash, executed and delivered such further deeds and other instruments and such administrative or legal actions or proceedings prosecuted or defended as may be requisite to fully implement the purpose and force and effect of the merger in such respects, and the officers and directors of the Surviving Corporation are fully empowered and authorized, in the name of American Potash (and, in their discretion, as its directors, and its officers, in the like capacity as with Kerr-McGee) or otherwise, to take, perform and execute any and all such actions and deeds.

4. Except as the due execution, certification and filing, in the office of the Secretary of State of Delaware, of this Agreement acts to include the same and/or acts to incor-

porate appropriate portions of this Agreement as a part of Kerr-McGee's Certificate of Incorporation, its existing Certificate of Incorporation is, and shall remain, the same as it was immediately prior to said filing except, further, that Article Fourth thereof, pursuant to all the provisions hereof, is and shall be amended as provided for herein; and there shall be no changes of the by-laws of the Surviving Corporation effected by reason of the merger comprehended by this Agreement except to the extent any provision hereof (including the said Amendment of Article Fourth of Kerr-McGee's Certificate of Incorporation) expressly or necessarily changes any provision thereof; and the Certificate of Incorporation of Kerr-McGee, the Surviving Corporation, comprehending (as aforesaid) appropriate provisions of this Agreement, shall continue in force and effect as so provided for unless and until further amended pursuant to law.

5. Article Fourth of the Certificate of Incorporation of Kerr-McGee Corporation, as heretofore amended, is further amended to be and read as set forth in Exhibit A attached to, incorporated in, and made a part of this Agreement by this reference thereto; and there is attached to, incorporated in, and made a part of this Agreement by this reference thereto, Exhibit B, which reproduces a Resolution of the Board of Directors of Kerr-McGee fixing and stating the voting powers, designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of the Series A Preferred Stock, which Resolution will become and be (and thereafter remain) in full force and effect on the effective date of the merger simultaneously with and contingent upon, but only contingent upon, this Agreement becoming and being of full force and effect in accordance with the pertinent provisions of Delaware law.

6. The authorized shares of American Potash, at the point of time immediately prior to this Agreement becoming of full force and effect on the effective date of the merger, pursuant to appropriate action by American Potash (which it hereby agrees to take) subsequent to the date of this Agreement and by virtue of these provisions and the action of the shareholders of American Potash approving this Agreement and without any further or other action except that consequent to the foregoing, shall be limited and reduced to a maximum of 2,337,857 shares of its said Common Stock without par value plus such number of such shares, if any, as may, subsequent to June 30, 1967, have been issued or are issuable (i) upon exercises of options or rights to purchase the same permitted, by the provisions of this Agreement, to be so exercised, and (ii) pursuant to a certain property acquisition transaction in course of completion (the number of shares incident thereto being 18,125).

ARTICLE III

The further mode of carrying into full and complete effect the merger of American Potash into Kerr-McGee and the basis and manner of converting the shares of American Potash, the Merged Corporation, into shares of Kerr-McGee, the Surviving Corporation, is as follows:

1. American Potash is and shall be obligated to take all action necessary so that, at the point of time immediately prior to the time when this Agreement becomes effective, all of the shares of its capital stock except its shares of Common Stock, without par value, have been by it purchased or redeemed, and cancelled, and have ceased to be authorized or issued or outstanding shares (or have been by it irrevocably called for redemption

and moneys for the payment of the redemption price plus accrued dividends to the redemption date deposited with a bank or trust company as provided in the Certificate of Incorporation of American Potash so that all rights of the holders thereof, except the right to receive such redemption price and accrued dividends, shall have ceased and determined) and so that its authorized and outstanding shares of said Common Stock shall be in number not in excess of that provided for in Paragraph numbered 6 of Article II of this Agreement. The conversion of all the issued and outstanding shares of American Potash (being shares of its Common Stock without par value), other than 226,800 shares held by Kerr-McGee, into said shares of Kerr-McGee shall be in the ratio specified in Paragraph numbered 1 of Article II of this Agreement. No fractional shares of Kerr-McGee Common Stock or Series A Preferred Stock will be issued in connection with the exchange and no certificates therefor will be issued, but in lieu thereof, arrangements will be made whereby acting on instructions of stockholders of American Potash who would otherwise be entitled to a fractional share of Common Stock or Series A Preferred Stock, First National City Bank, New York City ("Exchange Agent"), as agent for such stockholders, will, for 90 days after the effective date of the merger, either sell their fractional interests or purchase additional fractional interests sufficient to entitle such a stockholder to one additional full share. The Exchange Agent may offset buy and sell orders received by it. Orders which are not offset will be executed on the New York Stock Exchange. Any expenses of the execution of such orders, and transfer taxes applicable to offsets, will be apportioned by such Exchange Agent among the aggregate buy or sell orders of the stockholders giving such instructions, and the aggregate cost in the case of buy orders will be billed, or the net proceeds in the case of sell orders remitted, as the case may be, to such stockholders on the basis of the average daily price of Common Stock or Series A Preferred Stock on the day of the execution of such buy or sell orders. After such 90 days, the Exchange Agent will sell for the account of the owners of the then outstanding and fractional share interests, shares of Common Stock or Series A Preferred Stock equivalent to the aggregate fractional share interests then outstanding. The Exchange Agent will thereafter, until six years after the effective date of the merger, pay to such owners upon presentation of their stock certificates of American Potash for exchange, their pro rata share of the net proceeds of such sale, without interest. Upon the expiration of said six-year period, any remaining proceeds of such sale shall become the property of Kerr-McGee.

2. The due adoption, certification and filing of this Agreement with the Secretary of State of Delaware is, and shall be and/or confirm, the authorization of said issue of Kerr-McGee Series A Preferred Stock and the due authorization of (i) the issuance on and as of the effective date of the merger and the due delivery of the duly authorized, validly issued, full paid shares of the Common and Series A Preferred Stock of Kerr-McGee in the maximum number equal to the number of shares of Kerr-McGee Common Stock and of ~~said~~ Kerr-McGee Series A Preferred Stock required, pursuant to these provisions and the provisions of Paragraph numbered 1 of Article II of this Agreement, to convert all the said authorized and outstanding shares of Common Stock of American Potash, other than 226,800 shares held by Kerr-McGee, into shares of Kerr-McGee's Common Stock and Series A Preferred Stock on the basis of said conversion ratio provided for in said Paragraph numbered 1; (ii) the exchange provided for in this Agreement of certificates evidencing said Kerr-McGee Common and Series A Preferred Stock and all

the procedures incident thereto herein provided for; (iii) the reservation for issuance and the issuance, from time to time, responsive to future due conversion of said Series A Preferred Stock, of duly authorized, validly issued, full paid shares of the Common Stock of the par value of \$1.00 per share of Kerr-McGee in the maximum number necessary to comply with issuances thereof pursuant to exercises by the holders of said Series A Preferred Stock of the conversion rights pertaining thereto; (iv) the due application to the New York Stock Exchange (and all ancillary actions pursuant to the Securities Exchange Act of 1934) to list the Series A Preferred Stock (and shares of Common Stock into which it is convertible) and the Common Stock of Kerr-McGee issuable pursuant to the merger comprehended by this Agreement and the due prosecution of all matters incident thereto; and (v) the authorization and direction, as to all Kerr-McGee's officers, employees, agents and representatives, to take and effect all such further actions and measures as, consistent with the purpose, intent and provisions of this Agreement may, in their discretion, appear necessary or desirable more fully and effectively to carry out the merger and the conversion of shares and the exchange of stock certificates herein provided for.

3. At the effective date of the merger all outstanding shares of American Potash, other than 226,800 shares held by Kerr-McGee, are converted, pursuant to law and in accordance with the provisions of this Agreement, into shares of the Common and of said Series A Preferred Stock of Kerr-McGee (which become, by virtue of law and the provisions hereof, automatically issued and outstanding on the effective date of the merger in the number herein provided for incident to effectuation of the merger), and although the persons who were theretofore shareholders of American Potash thereby automatically cease to be shareholders of American Potash, the Merged Corporation, and become shareholders of Kerr-McGee, the Surviving Corporation, such persons shall not be entitled to receive payment of dividends respecting any shares of Kerr-McGee stock until their certificates evidencing the outstanding shares of American Potash are exchanged for certificates evidencing said Kerr-McGee shares as herein provided; provided that dividends declared respecting such shares shall be accumulated (without interest thereon and the same shall not be assignable except as the pertinent American Potash share certificates may be and are assigned) and held by Kerr-McGee solely for such use as provided for in this Agreement and, if and as American Potash share certificates are exchanged for stock certificates of Kerr-McGee within six years after the effective date of the merger, the appropriate amount of any such accumulated dividends shall be paid to the person receiving the Kerr-McGee stock certificates at the time of each such exchange, which shall fully and finally discharge all responsibility and liability of Kerr-McGee respecting said accumulated dividends as to such shares; provided further at the end of the sixth year after the effective date of the merger all such undistributed dividend monies shall become and be the sole property of Kerr-McGee.

4. Forthwith after the effective date of the merger the stock ownership records pertaining to the shares and share certificates of American Potash shall be delivered into the possession and/or control of Kerr-McGee and as soon as convenient thereafter (and in any event, not more than 10 days thereafter) the Surviving Corporation shall, upon the basis thereof, mail to each holder of record, as disclosed in said stock ownership records of American Potash, of the Common Stock certificates of American Potash outstanding

just prior to the merger, a notice informing said holders that the merger has become effective and advising them of proper procedures for them to follow to exchange pursuant to the provisions hereof in such respect, their said American Potash Common Stock certificates for certificates evidencing the Common and Series A Preferred Stock of Kerr-McGee, the Surviving Corporation, and facilities for such exchange shall be provided by the Surviving Corporation as soon after the effective date of the merger as it is reasonably possible for proper Common and Series A Preferred Stock certificates to be obtained by the Surviving Corporation, but in no event shall provision of such facilities, including Common and Series A Preferred Stock certificates, be delayed beyond 30 days subsequent to the date when said notice above provided for is mailed.

5. There are not, and shall not be, issuable or distributable any securities or other property to the holders (immediately prior to the effective date of the merger) of, or with respect to, shares of the capital stock of Kerr-McGee, the Surviving Corporation, and, pursuant to the merger, no substantial change of any kind is effected respecting the shares of Kerr-McGee authorized, issued or outstanding immediately prior to the effective date of the merger, except for an increase in the number of authorized shares and the creation of the Preferred Stock and that voting rights, all of which are now vested in and enjoyed exclusively by holders of the Common Stock will, after the merger, be shared, on a per share basis, with the Preferred Stock (the Series A and, possibly, other Series that may, in the future, become issued and outstanding), and that certain other Common Stock rights (such as those pertaining to dividends and liquidation distributions) become subordinated to certain preferences incident to the Preferred Stock (the Series A and, possibly, other Series that may, in the future, become issued and outstanding), and presently, the only changes respecting the capital stock of Kerr-McGee are those effected by the proposed amendment of Article Fourth of its Certificate of Incorporation attached hereto as Exhibit A and by the provisions of Exhibit B creating the Series A Preferred Stock and by the issuance of the shares of Common and Series A Preferred Stock herein provided for.

6. If this Agreement shall become effective the terms of the incumbent directors of Kerr-McGee at the effective date of the merger shall not be in any way affected, but Messrs. Peter Colefax (now Chairman of the Board of American Potash) and Lloyd L. Austin and Earle M. Jorgensen (now directors of American Potash) shall also become and be members of the Board of Directors of Kerr-McGee and they and said incumbent directors of Kerr-McGee shall constitute and be its Board of Directors, to serve as said Board until the next annual meeting of the stockholders of Kerr-McGee except as changes in the membership of said Board may be, prior to such date, effected in accordance with the By-Laws of Kerr-McGee, and effectuation of this Agreement shall act (the same as if by specific resolution of the Board of Directors of Kerr-McGee in such respect) to increase the ~~number~~ of members of its Board of Directors by such number as is then necessary to accommodate Messrs. Colefax, Austin and Jorgensen as members thereof.

ARTICLE IV

1. American Potash represents and warrants that the financial statements of American Potash as at December 31, 1966 attached hereto as Exhibit C-II and made a part hereof, are

its consolidated financial statements as at said date certified by Haskins & Sells, independent public accountants, and that the same fairly present, as at said date, said corporation's consolidated financial position and its operational results, on a consolidated basis, for the year then ended in accordance with generally accepted accounting principles maintained by American Potash, and that if, in the Proxy Statement referred to in Article V hereof, additional comparable (audited or unaudited) data as at a later date of American Potash are required therein, it will furnish the same and that they will fairly present, as at their date, said corporation's consolidated financial position and its operational results, on a consolidated basis, for the indicated period then ended in accordance with generally accepted accounting principles maintained by American Potash.

2. American Potash represents and warrants that it does not have any material legal liability, obligation or responsibility of any kind, including those of a contingent nature, other than as reflected in the attached balance sheet (including the notes pertaining thereto) that is a part of Exhibit C-II and except as the same, consistent with the past operation of the business of American Potash, have been subsequent to December 31, 1966, and may be subsequent to December 31, 1966, incurred in the ordinary course of business; and American Potash further warrants and agrees that if it furnishes any of the additional financial statements referred to in the preceding Paragraph any such material legal liability, obligation or responsibility as at the date of said statements will be therein reflected and that, within 15 days from the date of this Agreement, and within 15 days after furnishing such additional financial statements if any, it will disclose to Kerr-McGee (and make available true copies thereof for its inspection) all material contracts, agreements, arrangements and litigation to which American Potash and/or a subsidiary is a party that are not, pursuant to generally accepted accounting principles, required to be reflected in said financial statements (unless they are actually therein so reflected), and that, subsequent to the date of this Agreement, it will not nor will any of its subsidiaries, except in the ordinary course of business, incur any material obligation without the prior written consent of Kerr-McGee.

3. Kerr-McGee represents and warrants that the financial statements of Kerr-McGee as at December 31, 1966 attached hereto as Exhibit C-I and made a part hereof, are its consolidated financial statements as at said date certified by Arthur Andersen & Co., independent public accountants, and that the same do, and that such audited or unaudited comparable data as at a later date which may be required to be included in the Proxy Statement referred to in Article V hereof will, fairly present, as at their respective dates, said corporation's consolidated financial position and its operational results, on a consolidated basis, for the indicated periods then ended in accordance with generally accepted accounting principles maintained by Kerr-McGee.

4. Kerr-McGee represents and warrants that it does not have any material legal liability, obligation or responsibility of any kind, including those of a contingent nature, other than as reflected in the attached balance sheet (including the notes pertaining thereto) that is a part of Exhibit C-I and except as the same, consistent with the past operation of the business of Kerr-McGee, have been subsequent to December 31, 1966, and may be subsequent to December 31, 1966, incurred in the ordinary course of business; and Kerr-McGee further warrants and agrees that if it furnishes any of the additional financial statements referred to in the preceding Paragraph any such material legal liability, obligation or responsibility as at the date of said statements will be therein reflected, and that, within 15 days from the date of this

Agreement, and within 15 days after furnishing such additional financial statements if any, it will disclose to American Potash (and make available true copies thereof for its inspection) all material contracts, agreements, arrangements and litigation to which Kerr-McGee and/or a subsidiary is a party that are not, pursuant to generally accepted accounting principles, required to be reflected in said financial statements (unless they are actually therein so reflected).

5. Each Constituent Corporation hereby grants to the other the right, by its own employees and by other persons representing it, forthwith to make such reasonable examination of its books and records as the examining party may desire to substantiate the representations made in the foregoing four numbered paragraphs.

6. Each Constituent Corporation represents to the other that all of its property and property rights comprehended by its financial statements included in Exhibit C and those additional ones that may be included in the Proxy Statement are owned and/or possessed by it, if not to the extent of indefeasible and fully alienable title, in ways and to the extent practicable in order for the same to be utilized for the benefit of the corporation and to realize the inherent value of such property or property rights, and each hereby grants to the other the right, by its own employees and by other persons representing it, forthwith to make such reasonable examination of its records in such respect and physical examination of properties, plants and inventories as the examining party may desire to substantiate the foregoing representations, provided that respecting the property or property rights of American Potash comprehended by that certain consent judgment and decree entered in an action instituted on February 12, 1946 entitled United States of America v. American Potash & Chemical Corporation, in the District Court of the United States for the Southern District of California, Central Division, to cancel all of American Potash's potash leases, the foregoing representation is qualified to incorporate therein the restrictions as to said property or property rights imposed by said decree.

7. Each Constituent Corporation agrees that on or just prior to the date of the shareholders' meeting of the other corporation that votes upon adoption of this Agreement it will deliver to the other a letter of its General Counsel stating that he knows of nothing as to the history and actions of his client nor of any occurrence after the date of this Agreement that, in his opinion, vitiates any of the representations, warranties and agreements of his client in this Agreement or that changes, limits or nullifies any of the provisions of this Agreement pertaining to his client and the stockholders thereof, and that, as at the date of such letter, the consummation of the transactions comprehended by this Agreement would not, in his opinion, result in the breach of any term or provision of or constitute a default under any indenture, mortgage, deed of trust, lease or other material instrument to which his client or a subsidiary thereof is a party; and the opinion of counsel for American Potash shall include advices as to the number of shares of its capital stock then authorized, issued and outstanding.

8. Kerr-McGee agrees that in the event this Agreement becomes effective it will not purchase or redeem any shares of its Series A Preferred Stock within five years after the effective date of the merger by tender or otherwise.

9. Forthwith upon the effectiveness of the merger comprehended by this Agreement all the estates, property, rights, privileges, powers and franchises (of both public and private nature) and interests of every and whatever kind of the Merged Corporation, tangible and

intangible, real, personal and mixed, shall be transferred to a wholly owned subsidiary of the Surviving Corporation, which subsidiary shall thereupon assume all of the obligations and liabilities of the Merged Corporation, to the end that there be no break in the continuity of the Merged Corporation's business and operations, the same to be, immediately after the merger the same as before it, carried on under the name and style of American Potash & Chemical Corporation and staffed by American Potash personnel, and such wholly owned subsidiary to take over and/or provide to its employees, and those of its subsidiaries, retirement, group life, major medical, hospital and surgical and disability plans no less favorable (to them) than those now maintained by American Potash. Reference is also made to the "Restricted" and "Qualified" Stock Option Plans of American Potash for its officers and key employees and to the options pursuant thereto (to purchase shares of the Common Stock of American Potash) and pursuant to an earlier (1956) similar plan, granted prior to June 30, 1967, and on that date covering 91,920 shares of American Potash Common Stock; upon the merger becoming effective, Kerr-McGee shall assume each Restricted Stock Option and each Qualified Stock Option granted by American Potash, prior to June 30, 1967 pursuant to its Stock Option Plans for officers and key employees, to the extent still outstanding when said merger becomes effective, and each holder of such an option shall become entitled to purchase shares of Common Stock of Kerr-McGee and shares of Series A Preferred Stock of Kerr-McGee, as follows:

(a) Upon any exercise of such an option there will be delivered to the optionee (i) the number of whole shares of Kerr-McGee's Common Stock and Series A Preferred Stock issuable on the effective date of the merger with respect to the number of shares of Common Stock of American Potash as to which the option is exercised, plus (ii) one additional share of Kerr-McGee's Common Stock, and/or one additional share of Series A Preferred Stock, if any fractional interests arising in connection with such exercise, taken together with any fractional interests arising out of, and not delivered in connection with, any prior exercise or exercises, shall equal or exceed one whole share of such Common Stock and/or Series A Preferred Stock.

(b) Upon any exercise of such an option the aggregate option price paid by the optionee shall be the aggregate option price of the number of shares of Common Stock of American Potash as to which the option is exercised.

(c) The terms and provisions of each option shall otherwise be unchanged.

No further options shall be granted under any plans of American Potash unless this Agreement shall be terminated pursuant to Article VI hereof, but employees of the new subsidiary and its subsidiaries may be granted options under Kerr-McGee's Qualified Stock Option Plan and any successor plan in the same manner as employees of Kerr-McGee.

10. Kerr-McGee agrees to use its best efforts to list on the New York Stock Exchange and to register under the Securities Exchange Act of 1934 the shares of Series A Preferred Stock to be issued in the merger and the shares of Series A Preferred Stock to be issued upon the exercise of any of the American Potash Restricted and Qualified Stock Options assumed by Kerr-McGee pursuant to Paragraph numbered 9 of Article IV of this Agreement.

ARTICLE V

1. It is deemed to be in the best interest of both of the Constituent Corporations that all matters necessary to be cleared and all action required incident to effectuation of the merger be done as rapidly as circumstances permit and subject only to such necessities and to the fur-

ther provisions hereof it is their joint purpose that this Agreement shall be submitted by Kerr-McGee to its stockholders for their approval, and by American Potash to its stockholders for their approval, as soon as practicable, as provided by the laws of the State of Delaware, or on such later date or dates with respect to one or both the Constituent Corporations as the Boards of Directors of both of the Constituent Corporations shall approve, and if it is duly adopted by the requisite votes or consents of stockholders of both of the Constituent Corporations and is not terminated and abandoned pursuant to the provisions of Article VI hereof it shall be duly certified by and on behalf of American Potash and delivered to Kerr-McGee for further due handling and by it filed and recorded in accordance with the laws of the State of Delaware.

2. Each Constituent Corporation agrees to provide to the other all data and material (including, without being in limitation, all requisite financials) required respecting the forwarding Constituent Corporation for inclusion in the proxy material necessary to be filed with the Securities and Exchange Commission and to cooperate with each other to the end that each Constituent Corporation may be provided with a Proxy Statement (for distribution incident to the stockholders meeting of each to vote respecting the merger) meeting the requirements of the Securities Exchange Act of 1934 and the pertinent Regulations of the Securities and Exchange Commission, that does not contain any misstatement of a material fact with respect to the other corporation or fail to state a fact necessary in order to make the statements made with respect to the other corporation, in the light of the circumstances under which they were made, not misleading and that is substantially identical respecting each Constituent Corporation, the Surviving Corporation to initiate and be primarily responsible for supervision of the procedures in such connection but the Merged Corporation to fully participate therein and cooperate and assist therewith, and the final such joint or composite Proxy Statement provisions shall be submitted for the approval of the Management of each Constituent Corporation before the Proxy Statement of either is mailed, and neither shall untimely nor unreasonably withhold such approval and shall endeavor to cooperate so that mailing by each Constituent Corporation of its Proxy Statement (including Notice of its special meeting of stockholders) shall be on or about the same date unless the Constituent Corporations shall otherwise agree.

3. Prior to the effective date of the merger or the date this Agreement is duly terminated pursuant to Article VI, except as otherwise may be expressly provided in this Agreement:

(a) Neither of the Constituent Corporations will issue or sell, or permit any subsidiary (other than a wholly owned subsidiary which remains a wholly owned subsidiary) to issue or sell, any rights to subscribe to or convert any obligations into, any shares of its capital stock, or issue or sell, or permit any subsidiary (other than a wholly owned subsidiary which remains a wholly owned subsidiary) to issue or sell any shares of its capital stock otherwise than upon the exercise of options outstanding at the date hereof to purchase stock, provided that Kerr-McGee may, free of the foregoing prohibitions, grant "Qualified" employee stock options pursuant to its existing Plan in such respect and issue shares of its Common Stock, provided further, however, that, except as to shares sold by Kerr-McGee upon exercise of restricted or qualified stock options held by its officers and other employees or pursuant to its outstanding 1980 Option Warrants and those that may be issued upon conversion of its 3¾% Convertible Subordinated Debentures, due May 1, 1992, if the value of the consideration received therefor shall be at a rate less than

\$150 per share appropriate adjustment (consistent with the Series A Preferred Stock conversion dilution provisions), if any be required, shall be made respecting the conversion price pertaining to the Series A Preferred Stock, the same as if such shares were issued subsequent to the effective date of the merger, and the foregoing provisions shall be controlling respecting pertinent portions of Exhibit B hereto (although not therein referred to or mentioned) and if any such sale for less than said \$150 per share consideration be made the same shall act to require computation of the current quotient in the manner set forth in Exhibit B whether such sale or sales shall result in adjustment of the current conversion price; and provided further that if, as at the date hereof, American Potash has not then issued the remaining 18,125 shares of its Common Stock called for from it pursuant to a certain Agreement dated March 13, 1967 between it and Seeley G. Mudd et al, said 18,125 shares may be issued responsive hereto.

(b) Neither of the Constituent Corporations will declare or pay any dividend except dividends upon their respective Common Stocks at quarterly dates consistent with the respective dividend history of each and at quarterly rates not in excess of its quarterly dividend last declared prior to the date of this Agreement and except that until all the shares of all Preferred Stock of American Potash have been by it redeemed or otherwise acquired it may declare and timely pay respecting outstanding shares thereof the minimum dividends specified as to them in its Certificate of Incorporation.

ARTICLE VI

This Agreement may be terminated and the merger abandoned at any time before the effective date of the merger:

1. By mutual consent of the Boards of Directors of both Constituent Corporations;
2. By the Board of Directors of either of the Constituent Corporations if this Agreement is not duly approved by the stockholders of both Constituent Corporations on or prior to February 29, 1968;
3. By the Board of Directors of either of the Constituent Corporations if the other corporation shall fail to observe its obligations set forth in Article V or there shall be any failure as to any of its representations, warranties or agreements contained in Article IV;
4. By the Board of Directors of American Potash if, American Potash having requested a ruling from the Internal Revenue Service that (i) no income or gain will be recognized to American Potash in connection with the merger, (ii) the conversion of shares of Common Stock of American Potash into shares of the Common and Series A Preferred Stock of Kerr-McGee by reason of the merger will not result in recognition of income or gain to the Common Stockholders of American Potash (except as to sale of fraction ~~rights~~ to Kerr-McGee shares incident to the conversion) and (iii) Section 306(a) of the Internal Revenue Code will not apply to the disposition by former American Potash Common Stockholders of shares of Kerr-McGee Series A Preferred Stock acquired by reason of the merger or to redemption of such shares, such a ruling in form and substance satisfactory to American Potash has not been obtained on or prior to February 29, 1968;
5. By the Board of Directors of Kerr-McGee if, on the day just prior to the date then planned for due filing with the Secretary of State of Delaware of this

Agreement duly certified respecting its approval by the stockholders of both Constituent Corporations, it appears that the authorized and outstanding shares of American Potash and shares subject to options or other claims to acquire shares thereof exceed the total number of such shares permitted, by all the provisions of this Agreement, to be authorized and outstanding and subject to such options and claims at the effective date of this Agreement;

6. By the Board of Directors of either Constituent Corporation if

(a) any consent of the Department of the Interior which may be required for any transfer of the federal mining leases of American Potash resulting from the merger has not been obtained or definitely arranged for on or prior to February 29, 1968, or

(b) the terminating Constituent Corporation deems modification of some or all of the federal mining leases of American Potash is necessary to permit their acquisition by Kerr-McGee and the necessary modification has not been obtained or definitely arranged for on or prior to February 29, 1968, or

(c) the terminating Constituent Corporation deems modification of the consent decree referred to in Article IV Paragraph numbered 6 hereof is necessary to permit acquisition by Kerr-McGee of the property and/or business of American Potash and the necessary modification has not been obtained or definitely arranged for on or prior to February 29, 1968, or

(d) there has been instituted, or conclusively threatened (i.e. institution is only a matter of necessary time in preparation thereof), by one or more responsible persons or entities an action (or actions) or proceeding (or proceedings) in a court or governmental agency to restrain or prohibit the merger or to recover substantial damages on account thereof and the terminating Constituent Corporation deems the probability of success respecting the action or proceeding on the part of one or both of the Constituent Corporations is negative or that the detriment in time, effort and money in defending the same outweighs the benefit expected to accrue on account of the merger.

ARTICLE VII

1. At any time before or after its approval by the respective stockholders of the Constituent Corporations, this Agreement may be amended in matters of form, or supplemented by additional agreements, articles or certificates, as may be determined in the judgments of the Boards of Directors of the Constituent Corporations to be necessary, desirable or expedient to clarify the intention or purpose of the parties hereto or to facilitate the filing, recording or other necessary or desirable approval or validation of this Agreement or the effectuation or consummation hereof, provided any such amendment or supplement be in accordance with the purpose and intent of this Agreement as understood and stated by both said Boards of Directors.

2. Whenever it is, in this Article or elsewhere in this Agreement, provided that the Board of Directors of a Constituent Corporation is empowered to take an action or exercise an election, option or right, the same may be done by action of such Board of Directors in accordance with its By-Laws, including action by its Executive or other like committee if such action of such Board of Directors is so permitted to be effected between meetings of the Board

of Directors, or by such person or persons as may have been authorized by such Board of Directors or Committee to take the action in question, and evidence respecting any of the foregoing shall be conclusively established by an appropriate certification thereof by the Chairman of the Board, the President or the Secretary of the corporation so acting over its corporate seal.

3. If the merger shall become effective the Surviving Corporation shall assume and pay all liabilities in connection therewith not theretofore paid by the Constituent Corporations, and there shall be no liability on the part of the Merged Corporation, its Board of Directors, officers, or stockholders in such connection. If the merger shall not become effective (i) each of the Constituent Corporations shall pay all obligations and bear all expenses incurred by it respecting and incident to this Agreement and relating thereto and they shall jointly pay and bear those which have been incurred for their joint benefit or account such as printing of this Agreement and the Proxy Statements, and (ii) except for the foregoing clause and the proviso hereto this Agreement shall become void and of no effect, and there shall be no liability on the part of either of the Constituent Corporations or their respective Boards of Directors, officers, or stockholders to the other persons and bodies.

4. All notices, waivers, consents, elections or requests hereunder shall only be effective if they are in writing and shall only be deemed to have been duly given or made if personally delivered or telegraphed, or sent by registered or certified mail,

(a) when to AMERICAN POTASH, to:

WILLARD P. SCOTT
99 Park Avenue
New York, New York 10016

with a copy to:

H. W. DE ARMOND
American Potash & Chemical Corporation
3000 West Sixth Street
Los Angeles, California 90054

(b) when to KERR-MCGEE, to:

F. C. LOVE
Kerr-McGee Building
Oklahoma City, Oklahoma 73102

with a copy to:

DEAN TERRILL
2400 Lake View Ave., No. 2601
Chicago, Illinois 60614

IN WITNESS WHEREOF, this Agreement of Merger, having been submitted to the Board of Directors of each of the Constituent Corporations and each thereof having adopted a resolution approving this Agreement, the same is hereby signed on behalf of and in the name of Kerr-McGee Corporation by its Chairman of the Board of Directors and its Secretary and on behalf of and in the name of American Potash & Chemical Corporation by its Chairman of the Board and its Assistant Secretary and the corporate seal of each corporation has been affixed, as of the date first hereinabove written.

KERR-MCGEE CORPORATION

KERR-MCGEE CORPORATION
CORPORATE SEAL
1932
DELAWARE

/s/ D. A. MCGEE

D. A. McGee,
Chairman of the Board of Directors

/s/ LYNN ADAMS

Lynn Adams,
Secretary

AMERICAN POTASH & CHEMICAL CORPORATION

AMERICAN POTASH &
CHEMICAL CORPORATION
CORPORATE SEAL
1926

/s/ PETER COLEFAX

Peter Colefax,
Chairman of the Board

/s/ H. W. DE ARMOND

H. W. De Armond,
Assistant Secretary

Exhibit A to Agreement of Merger

Dated As of October 20, 1967

between

Kerr-McGee Corporation (the Surviving Corporation)

and

American Potash & Chemical Corporation (the Merged Corporation)

*Being Proposed Amendment of Article Fourth Of Kerr-McGee
Corporation's Certificate Of Incorporation.*

FOURTH: (1) The total number of shares of all classes of stock which the corporation shall have authority to issue is 14,000,000 of which 1,500,000 shares are and shall be Preferred Stock, without par value, and 12,500,000 shares are and shall be Common Stock of the par value of \$1.00 per share (being the same class of stock of the corporation presently outstanding and so designated).

(2) The class of Preferred Stock may be issued in series and the voting powers and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof pertaining to the class of Preferred Stock or to series thereof shall be as stated and expressed in resolution or resolutions adopted by the Board of Directors of the corporation providing for the issue of such stock (in series in the discretion of the Board of Directors) and said authority in it is hereby expressly vested in the Board of Directors; and such powers, designations, preferences and other said rights and qualifications, limitations or restrictions thereof respecting the class of Common Stock shall be, subject to the permissible provisions of any such Preferred Stock resolution of the Board of Directors affecting those that are applicable to the Common Stock, as stated and expressed in this Article Fourth as pertaining to the Common Stock.

(3) Shares of Preferred Stock redeemed, purchased, retired pursuant to Section 243 of the General Corporation Law of Delaware or surrendered to the corporation on the conversion or exchange thereof into other shares of the corporation shall not be reissued or resold.

(4) The authority hereinabove in Paragraph (2) vested in the Board of Directors, by resolution or resolutions adopted by it, to issue (in series in its discretion) shares of Preferred Stock and to state and express the attributes thereof (as hereinbefore more particularly set forth) shall be exercised by resolution or resolutions (as aforesaid) heretofore or hereafter adopted prior to any such issue and the same shall be irrevocable and said attributes so stated and expressed may not be in any way changed, altered, modified or amended except pursuant to the provisions, if any, contained in the resolution pursuant to which such shares of Preferred Stock are issued permitting such revocation or change, alteration, modification or amendment.

(5) Subject to the stated preferential dividend rights of the holders of shares of outstanding Preferred Stock the holders of the Common Stock shall share equally per share all other dividends that may be declared by the Board of Directors.

(6) In the event of any liquidation of the corporation the holders of the Common Stock shall be entitled, subject only to full payment to the holders of the Preferred Stock of the stated preferential liquidation amount(s) to which they are entitled, to receive equally per share all the remaining assets of the corporation.

(7) Except as such rights are duly granted or vested, respecting shares of one or more Series of the Preferred Stock, in the holders of record thereof, the right to vote for the election of directors and to receive notices of meetings of stockholders, and all voting power, shall pertain to, and are vested exclusively in the holders of record of, shares of the Common Stock.

(8) Without action by the shareholders, the shares of the capital stock of the corporation of any and all classes which are or may be authorized may be issued by the corporation from time to time for such consideration or considerations as may be fixed from time to time by the Board of Directors of the corporation subject only to such limitations, if any, as may be provided by law, and any and all shares so issued after the consideration so fixed has been received by the corporation shall be full paid stock and shall not be liable to any further call or assessment thereon and the holders of such shares shall not be liable for any further payment thereon or with respect thereto.

(9) No holder of any share or shares of any class of capital stock of the corporation, whether now or hereafter authorized or outstanding, shall be entitled as a matter of law or shall have or enjoy by virtue of such ownership or otherwise any pre-emptive or preferential right of any kind to subscribe for or to have offered to him any share or shares of any class of the capital stock of the corporation or any securities of any nature of the corporation (including, but without being in derogation of the generality of the foregoing, bonds, debentures, scrip, warrants, options or rights to purchase capital stock and debt or other securities convertible into capital stock) whether such stock or other securities be presently authorized but unissued, hereafter authorized, or stock or other securities presently or hereafter issued and subsequently reacquired by the corporation, it being the intention hereof to deny completely to all stockholders any pre-emptive or preferential right of any kind or degree to purchase, or to subscribe to or for, any and all issues of capital stock and other securities of the corporation of any and all kinds and classes.

Exhibit B to Agreement of Merger

Dated as of October 20, 1967

between

Kerr-McGee Corporation (the Surviving Corporation)

and

American Potash & Chemical Corporation (the Merged Corporation)

Being Resolution of the Board of Directors of Kerr-McGee (as the same will be in force and effect forthwith upon the Merger becoming effective) creating the \$4.50 Convertible Series A Preferred Stock.

Resolved, that pursuant to the authority vested in it by the corporation's Certificate of Incorporation, as amended, to do that which is herein done, the Board of Directors of Kerr-McGee Corporation, a Delaware corporation, hereby provides for the issue of a series of the corporation's Preferred Stock to be designated \$4.50 Convertible Series A Preferred Stock, without par value, (hereafter sometimes called the Series A Preferred Stock) in the maximum total number of 277,450 shares thereof and, respecting the Series A Preferred Stock, hereby states and expresses its voting powers and its designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof (hereafter sometimes referred to as its attributes) to be as hereinbefore and hereinafter provided, said further provisions being as follows:

1. The holders of the Series A Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available therefor, preferential cash dividends, as hereinafter provided for, at the rate of \$4.50 per annum per share (and no more), payable in equal quarterly installments on the first day of January, April, July, and October in each year as to the immediately preceding quarterly period (ending, respectively, December 31, March 31, June 30, and September 30, in each year, each such period being hereinafter called a "quarterly dividend period"). Such dividends on the Series A Preferred Stock shall be cumulative, whether or not earned, and shall accumulate in respect of each share of Series A Preferred Stock from the first day of the quarterly dividend period in which such share shall be issued except that as to shares of the Series A Preferred Stock the issuance date of which may be in December of 1967, dividends thereon shall accumulate only beginning with January 1, 1968. No dividends shall be paid or set aside for payment by the corporation on any other class or series of stock of the corporation nor any distribution be made on any other class or series of stock of the corporation, nor any shares of any other class or series of stock of the corporation be called for redemption, unless and until all accrued dividends on the Series A Preferred Stock (but without interest) for all preceding quarterly dividend periods shall have been paid or declared and set aside for payment in full and an amount equal to the full dividends on the Series A Preferred Stock for the current dividend period not then ended shall also have been paid or set aside for payment in full. For the purposes of these provisions, the amount of dividends accrued on shares of Series A Preferred Stock as at any quarterly dividend payment date shall be the amount of unpaid dividends accumulated thereon, to and including such quarterly dividend payment date, whether or not earned or declared, and the

amount of dividends accrued on shares of Series A Preferred Stock as at any date other than a quarterly dividend payment date shall be calculated as the amount of unpaid dividends accumulated thereon to and including the last preceding quarterly dividend payment date, whether or not earned or declared, plus an amount, computed on the basis of 360 days per annum, for the period after such last preceding quarterly dividend payment date to and including the date as of which the calculation is made, at the annual dividend rate of \$4.50 per annum, whether or not earned or declared.

2. In the event of any liquidation, dissolution or winding up of the affairs of the corporation, whether voluntary or involuntary, or any distribution of its capital, the holders of the shares of Series A Preferred Stock shall be entitled, before any of the assets of the corporation shall be distributed among or paid over to the holders of capital stock junior to the shares of Series A Preferred Stock, to an amount per share equivalent to the then prevailing redemption price per share of the Series A Preferred Stock pursuant to the provisions of Paragraph 3 hereof (or to \$104.50 per share if redemption would not then be permitted pursuant to such provisions) in the case of any voluntary liquidation, dissolution or winding up of the affairs of the corporation or distribution of its capital in the period covered by those provisions, and to an amount equal to \$100 per share in the case of any involuntary liquidation, dissolution or winding up of the affairs of the corporation, together with, in each case, a sum of money equal to all dividends accrued on such shares to the date of payment. If the assets of the corporation are not sufficient to make the payment in full required as aforesaid, payment shall be made to the holders of shares of Series A Preferred Stock (and of other Series of the Preferred Stock, if any, that enjoy parity therewith respecting amounts payable thereto upon liquidation) ratably in accordance with the number of shares held by them. After such payment in full or proper provision therefor to the holders of the Series A Preferred Stock, all of the remaining assets of the corporation shall be distributed to the holders of capital stock junior to the shares of Series A Preferred Stock in accordance with the then pertinent circumstances of the Capital Stock structure of the corporation and controlling provisions with respect thereto.

3. (a) The corporation, by resolution of its Board of Directors, may, at any time or from time to time after the fifth anniversary of the original issuance of shares of Series A Preferred Stock, redeem the whole or any part of the Series A Preferred Stock by payment of cash in amounts as follows: if such redemption is made prior to the expiration of the period of 12 months after the last day of the month in which such fifth anniversary occurs said payment shall be \$104.50 per share, and such payment shall be reduced by \$1.50 each 12-month period with respect to redemptions made in each of the three 12-month periods immediately following such initial 12-month period, so that respecting any redemption made after the second 12-month period following such initial 12-month period the cash redemption payment shall be \$100 per share, plus, in any event and as to all redemptions, all dividends accrued on such shares to the date of payment. Notice of such redemption shall be given, at least forty-five (45) days but not more than sixty (60) days prior to the date fixed for redemption, to the holders of record of the stock so to be redeemed, at their addresses as the same shall respectively appear on the stock record books of the corporation not more than five (5) days prior to the mailing of said notice, and the action determining such stock of record date may not be taken within less than ten days prior to such date. Such notice shall state the time and place of redemption, the redemption price, the then applicable conversion price and the date upon which the conversion privilege will terminate. Notice of redemption may be waived in writing by

any stockholder entitled thereto. If less than the whole amount of Series A Preferred Stock outstanding shall be redeemed at any time or times, the stock to be redeemed shall be selected by lot or pro-rata in such fair and reasonable manner as the Board of Directors may determine. On and after the date fixed for redemption, if the necessary funds shall have been set aside by the corporation separate and apart from its other funds and shall be available therefor, or if the corporation shall so elect, from and after a date (which shall be prior to the redemption date and which, together with the fact of such election, shall be set forth in the notice of redemption) on which the corporation shall provide moneys for the payment of the redemption price plus accrued dividends to the redemption date by irrevocably depositing the amount thereof in trust for the holders of the shares of Series A Preferred Stock entitled thereto with a bank or trust company doing business in the Borough of Manhattan, City, County and State of New York, and having capital and surplus of at least five million dollars (\$5,000,000), all dividends on the shares of Series A Preferred Stock thereby called for redemption shall cease to accrue and all rights of the holders thereof as stockholders of the corporation, except the right to receive the redemption price plus the amount equal to the accrued dividends to the redemption date, shall cease and determine. Any moneys provided by the Corporation for the payment of the redemption of shares of Series A Preferred Stock which shall remain unclaimed by the holders of the shares of Series A Preferred Stock entitled thereto at the end of six (6) years after such redemption date, together with the interest thereon, if any, which shall be allowed by such bank or trust company with which such moneys shall have been deposited, shall be paid by such bank or trust company to the corporation and shall revert to the treasury of the corporation and be available for general corporate purposes as if never provided by the corporation for the redemption of shares of Series A Preferred Stock; provided, however, that thereafter such holders, if and when they shall make claim therefor, shall be paid the redemption price plus accrued dividends to the redemption date, of the Series A Preferred Stock (but without interest thereon) from any funds of the corporation then available for that purpose.

(b) The corporation shall not purchase or redeem any shares of the Series A Preferred Stock, by tender or otherwise, prior to the fifth anniversary of the original issuance of shares of Series A Preferred Stock or while any dividends with respect to such stock are in arrears.

4. (a) Each share of Series A Preferred Stock shall be, in accordance with all of the provisions of this Paragraph 4, convertible at any time at the option of the holder thereof (upon surrender to the corporation at the principal office of any Transfer Agent for the corporation's Series A Preferred Stock of the certificate for the shares of Series A Preferred Stock to be converted and a statement, in such manner and/or form as the corporation or such Transfer Agent may from time to time require, of his election to convert the shares) into fully paid and nonassessable shares of Common Stock of the corporation at the rate or on the basis hereinafter specified, provided that in the case of the call for redemption of any shares of Series A Preferred Stock, such right of conversion shall cease and terminate as to the shares so designated for redemption at the close of business on the fifth day prior to the date fixed for redemption, unless default shall be made in the payment of the redemption price. Upon the conversion of any shares of Series A Preferred Stock into Common Stock no allowance or adjustment shall be made for dividends on either class of stock, and dividends respecting the shares of both Series A Preferred Stock and Common Stock involved in a conversion shall be payable (but shall only be payable) accordingly as the converted shares of Series A Preferred Stock were outstanding on the dividend record date last pertaining thereto prior to the date of their

conversion and as shares of Common Stock issued in the conversion were outstanding on the dividend record date first pertaining thereto, and said dividend payments shall be payable by the corporation only to the persons entitled thereto pursuant to controlling general provisions of law and the bylaws of the corporation and pertinent dividend resolutions of the Board of Directors of the corporation. For the purpose of determining the rate of or basis for said conversion (subject, however, to the adjustment provisions hereafter), the shares of Common Stock shall have an original conversion price of \$150.00 per share. For the purpose of these conversion provisions "the value of the Series A Preferred Stock" shall be \$100 per share and the number of shares of Common Stock which shall be issued upon the conversion of shares of Series A Preferred Stock surrendered for conversion by a holder thereof shall be determined by dividing the aggregate value of such shares of Series A Preferred Stock by the per share conversion price of the Common Stock then applicable (being the current conversion price, hereafter defined, which, originally, shall be \$150.00 per share). If the last day for the exercise of the conversion right shall be a Saturday or Sunday, or shall be a legal holiday or a day on which banking institutions are authorized by law to close in any city where there is located the principal office of a Transfer Agent for the Series A Preferred Stock, then such conversion right may be exercised on, and the current conversion price in the preceding conversion period shall continue to, the next succeeding day not, in any such city, a legal holiday or a day on which banking institutions are authorized by law to close. The corporation will (except as hereinafter provided), within fifteen (15) days after each such surrender of a Series A Preferred Stock certificate and the giving of proper notice of election to convert, issue and deliver, at the principal office of such Transfer Agent, to the person for whose account such Series A Preferred Stock was so surrendered, or to his nominee or nominees, certificate or certificates for the whole number of full paid and nonassessable shares of Common Stock of the corporation to which such person is entitled pursuant to all the provisions of this Paragraph 4 and in the event that, upon any conversion of Series A Preferred Stock, the pertinent circumstances are such that the exercise of the conversion right results in a computation comprehending a fraction of a share of Common Stock, the converting Series A Preferred Stockholder shall be entitled to receive, simultaneously with delivery of the whole shares of Common Stock deliverable to him because of his conversion of Series A Preferred Stock, cash in lieu and in satisfaction of such fractional share. The amount of cash so to be paid shall be equal to the undelivered fractional share multiplied by the last sale price (or the bid price if there be no sales) of the Common Stock on the New York Stock Exchange on the day of such surrender of the Series A Preferred Stock certificate for conversion of Series A Preferred Stock. If the aggregate value of Series A Preferred Stock surrendered for conversion be less than the current conversion price, cash only, computed as aforesaid, shall be deliverable to the holder of such surrendered Series A Preferred Stock. The corporation shall at all times reserve and keep available, out of its authorized but unissued Common Stock, the full number of shares of Common Stock deliverable upon the conversion of all shares of the Series A Preferred Stock from time to time outstanding.

(b) The conversion price shall be subject to adjustment as follows:

A. For the purpose of this Subdivision A, the term "current conversion price" is defined as meaning at any given time the conversion price then in effect; and the term "current quotient" is defined as meaning on any given date the amount determined as at the close of business on such day by a computation made as follows:

(i) the multiplicand shall consist of a number equal to

1. the number of shares of Common Stock outstanding when the current conversion price became effective, plus

2. the number of shares of Common Stock which, when the current conversion price became effective, were deemed to be issued as provided in subparagraphs (7) and (8) hereafter but subject to subparagraph (9) hereafter, without duplication but giving effect to such increase in the number of shares of Common Stock issuable responsive to the transactions comprehended by said paragraphs that, in the event of such issuances, would be required by reason of the pertinent provisions of said transactions related to any dividend payable in shares of Common Stock or subdivision thereof made after the effective date hereof, less

3. the number of outstanding shares of Common Stock comprehended by Subdivision C of this subsection (b) together with the number of shares of Common Stock respecting said Subdivision C outstanding shares issued as a stock dividend or in a subdivision thereof, and

the multiplier shall be the current conversion price, and

to the result there shall be added the aggregate of the amounts of all consideration, if any, received by the corporation (or, without duplication, deemed to be received as provided in subparagraphs (7) and (8) hereafter but subject to subparagraph (9) hereafter) upon all issuances of shares of Common Stock since the current conversion price became effective except upon issuances of shares of Common Stock comprehended by Subdivision C hereof, and the dollar amount determined pursuant to all of the foregoing shall be divided by

(ii) the divisor, which shall consist of

1. the total number of shares of Common Stock outstanding on the determination date, plus

2. the number of shares of Common Stock which, on the determination date, were deemed to be issued as provided in subparagraphs (7) and (8) hereafter but subject to subparagraph (9) hereafter, without duplication but giving effect to such increase in the number of shares of Common Stock issuable responsive to the transactions comprehended by said subparagraphs that, in the event of such issuances, would be required by reason of the pertinent provisions of said transactions related to any dividend payable in shares of Common Stock or subdivision thereof made after the effective date hereof, less

3. the number of outstanding shares of Common Stock comprehended by Subdivision C of this subsection (b) together with the number of shares of Common Stock respecting said Subdivision C outstanding shares issued as a stock dividend or in a subdivision thereof.

For the purposes of this Subdivision A, the original conversion price of \$150 shall be deemed to have become effective simultaneously with the effectiveness of the Resolution of which these provisions are a part (the "effective date"), subject, however, to adjustment as in this subsection (b) provided, and a current conversion price shall remain in effect until it is required to be adjusted pursuant to the provisions of this Resolution. In determining the current quotient, the result shall be expressed to the nearest cent.

In case at the close of business on any date after the effective date the current conversion price shall exceed the current quotient by as much as \$1 (or, in case adjustment of the conversion price has taken place pursuant to Subdivision B of this subsection (b), the amount which shall be in the same proportion to \$1 as the conversion price after the latest such adjustment shall be to the originally stated conversion price of \$150) the conversion price shall be reduced to the price equal to the current quotient, effective at the close of business on such date. In case of a subdivision or combination of the outstanding shares of the Common Stock, the conversion price shall first be reduced, effective immediately prior to an adjustment of the conversion price pursuant to Subdivision B of this subsection (b), by the amount, if any, by which the current conversion price shall exceed the current quotient.

For the purposes of this Subdivision A, the following provisions shall also be applicable.

(1) In case of the issuance of additional shares of Common Stock for cash, the consideration received by the corporation therefor shall be deemed to be the amount of cash received by the corporation for such shares, before deducting therefrom any commissions or other expenses paid or incurred by the corporation for any underwriting of, or otherwise in connection with, the issuance of such shares.

(2) In case of the issuance of additional shares of Common Stock upon conversion or exchange of any obligations or of any shares of stock of the corporation that shall be convertible into or exchangeable for shares of Common Stock, or upon the exercise of rights or options to subscribe for or to purchase shares of Common Stock, the amount of the consideration received by the corporation for such additional shares of Common Stock shall be deemed to be the total of (a) the amount of the consideration received by the corporation upon the original issuance of such obligations, shares, rights or options, as the case may be, plus (b) the consideration, if any, other than such obligations, shares, rights or options, received by the corporation upon such conversion, exchange, or exercise except in adjustment of interest and dividends. If obligations, shares, rights or options, of the same class or series of a class as the obligations, shares, rights or options, so converted, exchanged or exercised have been originally issued for different amounts of consideration, then the amount of consideration received by the corporation upon the original issuance of each of the obligations, shares, rights or options, so converted, exchanged or exercised shall be deemed to be the average amount of the consideration received by the corporation upon the original issuance of all such obligations, shares, rights or options. The amount of the consideration received by the corporation upon the original issuance of the obligations, shares, rights or options, so converted, exchanged or exercised and the amount of the consideration, if any, other than such obligations, shares, rights or options, received by the corporation upon such conversion, exchange or exercise shall be determined in the same manner provided in subparagraph (1) above with respect to the consideration received by the corporation in case of the issuance of additional shares of Common Stock; if such obligations, shares, rights or options shall have been issued as a dividend upon any stock of the corporation, the amount of the consideration received by the corporation upon the original issuance thereof shall be deemed to be zero.

(3) In case of the issuance of additional shares of Common Stock as a dividend, the aggregate number of shares of Common Stock issued in payment of such dividend shall be deemed to have been issued and to be outstanding at the close of business on

the record date, fixed for the determination of stockholders entitled to such dividend and shall be deemed to have been issued without consideration. Shares of Common Stock issued otherwise than as a dividend shall be deemed to have been issued and to be outstanding at the close of business on the date of issue.

(4) The term "dividend" shall mean any distribution upon stock of the corporation.

(5) The number of shares of Common Stock at any time outstanding shall include all issued shares of Common Stock then owned or held by or for the account of the corporation and the resale or reissuance thereof shall not add to outstanding shares nor shall any such transaction in any way or to any extent affect, or be taken into account in the computation of, the current quotient or any conversion price.

(6) In the event of a declaration of a dividend by the corporation without the fixing of a record date for the determination of stockholders entitled thereto, the first business day during which the stock transfer books of the corporation shall be closed for the purpose of such determination shall be deemed to be the record date fixed for the determination of stockholders entitled to such dividend.

(7) In case of the issuance of any rights to subscribe for or to purchase, or the granting of any options for the purchase of, additional shares of Common Stock (other than any such rights or options granted for a consideration consisting, in whole or in part, of something other than cash) at a price per share for the additional shares of Common Stock issuable upon the exercise of such rights or options less than the current conversion price immediately prior to the issuance of such rights or the granting of such options, then the issuance or granting of such rights or options shall be deemed to be an issuance (as of the date of issuance or granting of such rights or options) of the total maximum number of shares of Common Stock issuable upon the exercise of all such rights or options. In such case, the amount received or receivable by the corporation in consideration of the issuance of such rights or options (plus the minimum aggregate amount of premium or additional consideration payable to the corporation upon the exercise of such rights or options) before deducting therefrom any commissions or other expenses paid or incurred by the corporation for any underwriting of, or otherwise in connection with the issuance of such rights or options, shall be deemed to be the consideration actually received (as of the date of issuance or granting of such rights or options) for the issuance of the additional shares of Common Stock.

(8) In case the corporation shall issue, for a consideration consisting solely of cash, any shares of stock or obligations convertible into or exchangeable for shares of Common Stock, or rights to subscribe for or options to purchase such convertible or exchangeable stock or obligations, and the price per share at which Common Stock is deliverable upon conversion or exchange of such stock or obligations (determined by dividing (x) the total amount received or receivable by the corporation in consideration of the issuance of such stock or obligations or of such rights or options, plus the minimum aggregate amount of premiums (if any) payable to the corporation upon the conversion or exchange, by (y) the total maximum number of shares of Common Stock then necessary to effect the conversion or exchange of all such convertible or exchangeable stock or obligations) shall be less than the current conversion price immediately prior to the issuance of such convertible or exchangeable stock or obligations or the issuance of such rights or options then such issuance shall be deemed to be an issuance (as of the date of

issuance of such convertible stock or obligations or such rights or options) of the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such convertible securities. In such case the amount received or receivable by the corporation in consideration of the issuance of such convertible or exchangeable stock or obligations or such rights or options (plus the minimum aggregate amount of premium or additional consideration payable to the corporation upon conversion or exchange of the stock or obligations) before deducting therefrom any commissions or other expenses paid or incurred by the corporation for the underwriting of, or otherwise in connection with, the issuance of such stock, obligations, rights or options, shall be deemed to be the consideration actually received (as of the date of issuance of such stock, obligations, rights or options) for the issuance of the additional shares of Common Stock.

(9) The consideration actually received by the corporation for any shares of Common Stock issued upon the conversion or exchange of such stock or obligations or upon the exercise of such rights or options, which pursuant to subparagraphs (7) or (8) of this Subdivision A is deemed to have been received, shall not be included in subparagraph (i) of this Subdivision A for the purpose of computing the current quotient nor, for such purpose, shall the number of shares so actually issued be added to those provided for in subparagraph (ii) of Subdivision A and no further adjustment of the conversion price shall be made in respect thereof.

In case, however, such stock or obligations shall be convertible at a conversion price, or such rights or options shall be exercisable at a purchase price, per share equal to or in excess of the current conversion price immediately prior to the issuance or sale of such convertible stock or obligations or of such rights or options, then the shares shall be deemed to be issued and the consideration therefor received when such additional shares of Common Stock are actually issued upon the conversion or exchange of any such convertible stock or obligations or upon the exercise of any such rights or options.

B. In case the corporation shall at any time subdivide the outstanding shares of Common Stock, the conversion price in effect immediately prior to such subdivision shall be proportionately decreased, and in case the corporation shall at any time combine the outstanding shares of Common Stock, the conversion price in effect immediately prior to such combination shall be proportionately increased. Any such adjustment shall become effective at the close of business on the date that such subdivision or combination shall become effective.

C. Notwithstanding any of the foregoing provisions of subsection (b), respecting shares issuable or issued that are comprehended by this Subdivision C both such shares and the consideration for them and/or for options or rights (if any) pursuant to which they may be issuable or issued shall be excluded from and disregarded in all computations of the current quotient, and no adjustment of the conversion price shall be made as a result of or in connection with the issuance after the effective date of (a) shares of Common Stock of the corporation pursuant to (i) options granted to officers or employees of the corporation (including a corporation that is merged into the corporation) or of a Subsidiary, or pursuant to any employees' stock purchase plan, (ii) rights or options issued or granted for a consideration consisting, in whole or in part, of something other than cash, (iii) the corporation's outstanding Common Stock purchase warrants expiring January 4, 1980, (iv) conversions of the corporation's outstanding 3¾% Convertible Subordinated Debentures, due May 1, 1992, or (v) conversions of the Series A Preferred Stock, or (b) shares of Common Stock or shares of

stock or obligations convertible into or exchangeable for shares of Common Stock (including any subsequent issuance of shares of Common Stock upon conversion of or in exchange for such shares or obligations) for a consideration which does not consist solely of cash.

D. In case of any reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Series A Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the corporation with or into another corporation (other than a merger with a Subsidiary in which merger the corporation is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Common Stock of the class issuable upon conversion of the Series A Preferred Stock), the same may only be done if the corporation or such surviving corporation, as the case may be, takes pertinent and effective action (that is irrevocable except as it may be waived or changed by the vote or consent of holders of two-thirds of the Series A Preferred Stock) providing to the holder of each share of Series A Preferred Stock then outstanding the right thereafter to convert each share of Series A Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation or merger by a holder of the number of shares of Common Stock of the corporation into which each share of Series A Preferred Stock might have been converted immediately prior to such reclassification, change, consolidation or merger and providing for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this subsection (b). The above provisions of this subsection (b) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations and mergers.

Notice of the effectuation of such action shall be given by mailing by first-class mail a notice thereof to the holders of Series A Preferred Stock at their last addresses as they shall appear upon the corporation's stock record books within ten (10) days after said effectuation.

E. Whenever the conversion price is required to be adjusted as herein provided, the corporation shall promptly file with each Transfer Agent respecting the Common and Series A Preferred Stock a certificate of a firm of independent public accountants of recognized standing selected by the Board of Directors (who may be the regular auditors of the corporation) setting forth the conversion price as so adjusted and a brief statement of the facts accounting for such adjustment and each such certificate shall be controlling as to the adjustment reflected thereby and respecting transactions dependent thereupon unless and until its correctness is challenged and it is conclusively demonstrated to be in error, in which event the corporation shall so file a correcting certificate replacing the same, and each stockholder who shall have effected any conversion on the basis of the conversion price set forth in such erroneous certificate shall be entitled, upon demand, to receive such additional shares of Common Stock with respect to such conversion as such stockholder would have been entitled to receive had such correcting certificate been filed prior to such conversion. No Transfer Agent shall be under any duty to make any inquiry or investigation as to the statements contained in any such certificate or to the manner in which any computation was made, but may accept such certificate as conclusive evidence of the validity of the statements therein contained, and each Transfer Agent shall be fully protected, except for its own negligent action or failure to act, with respect to any and all acts done or action taken or suffered by it in reliance thereon. No Transfer Agent in its capacity as transfer agent shall be deemed to have any knowledge with respect to any change of capital

structure of the corporation unless and until it receives a notice thereof pursuant to the provision of this Subdivision E, and in the absence of any such notice each Transfer Agent may conclusively assume that there has been no change. Certificates filed by the corporation with the Transfer Agents pursuant to the provisions of this Subdivision E may be inspected at the respective principal office of each Transfer Agent during business hours by any holder of record of shares of Series A Preferred Stock or of Common Stock or by his duly authorized agent. Notice of an adjustment of the conversion price shall also be given by mailing by first-class mail a notice thereof to the holders of Series A Preferred Stock at their last addresses as they shall appear upon the registry books within ten (10) days after the filing with the Transfer Agents of any certificate pursuant to the provisions of this Subdivision E.

F. If, in the opinion of the Board of Directors, there shall occur a state of circumstances that affects any aspect of the conversion right of the holders of Series A Preferred Stock according to the essential intent and principles of all the other provisions of this Paragraph 4 with respect thereto but the said other provisions are not strictly applicable to such circumstances or if strictly applicable would not result in the effectuation or protection of the entirety of the said conversion right, the Board of Directors shall authorize such actions within its power pursuant to applicable law as may, in its discretion, be appropriate in or respecting such circumstances in order that holders of the Series A Preferred Stock may enjoy all the benefits, privileges, and rights of the said Series A Preferred Stock conversion right (*i.e.*, according to said essential intent and principles).

5. While there be outstanding any shares of the Series A Preferred Stock, the right to vote respecting all matters as to which shareholders of a Delaware corporation are entitled to vote and as to which, in addition to such right, shareholders of the corporation do vote, shall inhere and be vested equally, on a per share basis, in the Series A Preferred Stock and the Common Stock, that is, each outstanding share of Series A Preferred Stock and each outstanding share of Common Stock of the corporation shall carry with it and comprehend one vote, and the shareholders of record of both said classes of stock shall have said right of one vote per share and to receive notices of all meetings of shareholders, provided that, in the circumstances stated in Paragraph 6 hereafter, the right of shareholders of the corporation to elect directors of the corporation shall be as therein stated, and provided further that the Board of Directors may, in its discretion, in any Resolution creating another Series of Preferred Stock, provide the same or similar voting rights that pertain to the Series A Preferred Stock or for the sharing thereof (with limitations of such voting rights to such other series as it may prescribe but they may not be enlarged unless such enlarged voting rights are also extended to the Series A Preferred Stock) to comprehend such other Series of Preferred Stock.

6. The holders of record of the Series A Preferred Stock shall be entitled to special voting rights as follows:

(a) If the corporation shall fail to make payment of dividends on the outstanding shares of ~~Series A~~ Preferred Stock in an aggregate amount equivalent to dividends for a total of six (6) quarter-yearly dividend periods, then, until such default or defaults have been fully cured, the record holders of the shares of Series A Preferred Stock, voting separately as a class, shall be entitled, at each meeting of the stockholders at which directors are elected, to elect two members of the Board of Directors, and the record holders of the shares of Common Stock, voting separately as a class, shall be entitled at any such meeting to elect the remaining directors of the corporation. Whenever the holders of shares of

Series A Preferred Stock shall be entitled to elect directors as aforesaid, the number of directors constituting the Board of Directors of the corporation shall thereupon and thereby be adjusted and amended to increase by two the number of members of the Board of Directors, all without any further action on the part of the stockholders or the Board of Directors of the corporation. If and when all dividends accrued on the shares of Series A Preferred Stock then outstanding shall have been paid in full, the holders of the shares of Series A Preferred Stock are thereby and shall thereupon be divested of the special right with respect to the election of directors above provided, the directors elected by the Series A Preferred Stock shall cease to have power and authority as Directors, the Board shall automatically be reduced by their number, and the voting power respecting the election of directors shall revert to and be as provided for in Paragraph 5 above, but always subject to revesting such special voting right in the holders of shares of Series A Preferred Stock in case of subsequent accrual of six unpaid quarter-yearly dividends thereon and for like termination of such special voting right upon payment in full thereof as aforesaid.

(b) Upon any such election the Directors elected by the holders of Series A Preferred Stock shall thereupon take office as Directors for the term specified for Directors generally in the By-Laws. The By-Laws of the corporation shall contain provisions with respect to calling special meetings of stockholders, quorum and adjournment requirements, and procedure for filling of vacancies in, and successors to, Directors elected by holders of record of outstanding shares of Series A Preferred Stock, all as shall be appropriate to implement the voting rights conferred upon holders of Series A Preferred Stock by the provisions of this Paragraph 6 and to provide for an orderly transition if and when they terminate, such By-Laws to provide, if Series A Preferred Stockholders become entitled to elect two directors, for holding a special meeting thereof for such purpose promptly upon the occurrence of such event and in no case to delay issuing notice of such meeting more than 10 days after receipt of written request for the same signed by as many as 10% of the holders of record of outstanding shares of Series A Preferred Stock provided that no such special meeting shall be called to be held on a date that is 90 days or less prior to the date fixed for the next annual meeting of stockholders of the corporation.

(c) As long as any shares of the Series A Preferred Stock are outstanding, the corporation shall not, without the written consent or the affirmative vote at a meeting called for that purpose of holders of record of at least two-thirds of the total number of shares of Series A Preferred Stock then outstanding, in any manner, whether by amendment to the Certificate of Incorporation or By-Laws of the corporation, by resolution, by merger (whether or not the corporation is a surviving corporation in such merger), by consolidation or otherwise:

(1) **change or abolish the relative rights, preferences or limitations of the Series A Preferred Stock; or**

(2) **authorize, or increase the authorized amount of, any class or series of stock ranking prior to the Series A Preferred Stock in the payment of dividends or the preferential distribution of assets;**

and as long as any shares of the Series A Preferred Stock are outstanding, the corporation shall not, without the written consent or the affirmative vote at a meeting called for that

purpose of holders of record of at least a majority of the total number of shares of Series A Preferred Stock then outstanding in any such manner as aforesaid:

(3) increase the authorized amount of the Series A Preferred Stock; or

(4) authorize any new class of stock, or increase the authorized amount of any class of stock, ranking on a parity with the Series A Preferred Stock in the payment of dividends or the preferential distribution of assets;

provided, however, that the foregoing shall not require the consent or vote of the Series A Preferred Stock for the authorization, or an increase in the authorized amount of, any class or series of stock except to the extent provided in clause (2), (3) and (4) above; and provided further, that, except as otherwise required by law, no such consent or vote shall be required for any merger or consolidation

(5) in which (i) the corporation is the surviving corporation; (ii) no change is made in the rights, preferences or limitations of the Series A Preferred Stock; and (iii) no authorization is granted for any class or series of stock, or any increase in the authorized amount of any class or series of stock, which would have required any such consent or vote if such merger or consolidation had occurred immediately prior to such merger or consolidation; or

(6) in which (i) the corporation is a party but is not the surviving corporation; (ii) the surviving corporation shall, in connection with and at the same time as such merger or consolidation, issue in exchange for each share of Series A Preferred Stock then outstanding a share of preferred stock of the surviving corporation with the same rights, preferences and limitations as the Series A Preferred Stock; and (iii) the authorized capital stock of the surviving corporation immediately after such merger or consolidation shall include only classes or series of stock for which no such consent or vote would have been required if such class or series had been authorized by the corporation immediately prior to such merger or consolidation or which have the same rights, preferences and limitations and authorized amount as a class or series of stock of the corporation authorized (with such consent or vote) prior to such merger or consolidation and continuing as an authorized class or series at the time thereof.

The voting rights set forth in this subsection (c) shall be in addition to and shall in no way limit the voting rights of the holders of record of Series A Preferred Stock set forth in subsections (a) and (b) above.

(d) Whenever the holders of record of shares of Series A Preferred Stock are entitled to voting rights under any provision of this Paragraph 6, they shall be entitled to one ~~(1)~~ vote with respect to each share held.

7. ~~For the~~ purposes of the Resolution of which this is a part, shares of capital stock of the corporation shall be deemed junior to the shares of Series A Preferred Stock if the rights of the holders thereof to receive dividends, and amounts distributable upon voluntary or involuntary liquidation of the corporation, rank junior and are subordinate to the rights of the holders of Series A Preferred Stock.

And this resolution is, and is declared to be and to have been, adopted by the Board of directors of Kerr-McGee Corporation on the same date on which it adopted that certain Agreement of Merger between the Corporation and American Potash & Chemical Corporation dated as of October 20, 1967, this resolution being responsive to said Agreement of Merger and to the proposed amendment of Article Fourth of the corporation's Certificate of Incorporation which is part thereof (as is this resolution) and this resolution is not to be nor shall it be of force or effect unless the said Agreement of Merger becomes effective pursuant to the laws of the State of Delaware but contingent upon and only contingent upon such effectiveness this resolution shall be of and in full force and effect simultaneously with the effectiveness of said Agreement of Merger and may not be rescinded or changed, altered or amended in any way that is adverse to the holders of the Series A Preferred Stock and not herein expressly permitted except with the requisite vote or consent of the holders of the outstanding shares of Series A Preferred Stock (which, if another percentage is not specified, shall be a majority of said shares) but this resolution may be changed, altered, restated or amended to amplify or to provide additional rights to the holders of the Series A Preferred Stock or to clarify or implement the attributes thereof herein provided for and expressed in circumstances not presently susceptible to delineation and/or to make them consistent with the whole of the purpose and tenor hereof.

Further Resolved, that the foregoing resolution was adopted pursuant to and in compliance with Paragraph 5 of Article II of the Agreement of Merger, dated as of October 20, 1967, between the Corporation and American Potash & Chemical Corporation, and in anticipation of and on the assumption that such merger will hereafter become effective, including, as a part thereof, the amendment of Article Fourth of the Corporation's Certificate of Incorporation, in the form of Exhibit A to that Agreement. Accordingly, the Chairman of the Board of Directors or the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation are hereby authorized to execute the Certificate setting forth the foregoing resolution required by Paragraph 5 of Article II of the Agreement of Merger and by the Delaware Corporation Law and are directed to cause such Certificate to be filed in the Office of the Secretary of State of the State of Delaware and recorded in the Office of the Recorder of Deeds of New Castle County, Delaware, simultaneously with the merger becoming effective, and not otherwise; and the foregoing resolution shall be construed as though the amendment to the Corporation's Certificate of Incorporation which will be effected upon the merger becoming effective were presently in effect.

EXHIBIT C-I
AGREEMENT OF MERGER
KERR-McGEE CORPORATION
and
AMERICAN POTASH & CHEMICAL CORPORATION
REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

TO KERR-McGEE CORPORATION:

We have examined the consolidated balance sheet of KERR-McGEE CORPORATION (a Delaware corporation) and subsidiary companies as of December 31, 1966, and the related consolidated statements of income (included elsewhere in this prospectus under "Consolidated Statement of Earnings"), retained earnings and capital in excess of par value for the year ended June 30, 1965 and the two years ended December 31, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income, retained earnings and capital in excess of par value present fairly the financial position of Kerr-McGee Corporation and subsidiary companies as of December 31, 1966 and the results of their operations for the year ended June 30, 1965 and the two years ended December 31, 1966, all in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & Co.

Oklahoma City, Oklahoma
March 9, 1967

The Board of Directors
KERR-McGEE OIL INDUSTRIES, INC.

We have examined the consolidated statement of earnings of Kerr-McGee Oil Industries, Inc. and subsidiary companies for the three years ended June 30, 1964 (included under "Consolidated Statement of Earnings") and the related consolidated statements of retained earnings and capital in excess of par value for the year ended June 30, 1964. Our examination of the financial statements of the Company and certain of its subsidiaries was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have received the reports of other public accountants with respect to their examinations of the financial statements of certain subsidiaries whose sales and net income represent a substantial portion of the respective consolidated totals and we assume responsibility therefor in the same manner as if examined by us.

In our opinion, the statements mentioned above present fairly the consolidated results of operations of Kerr-McGee Oil Industries, Inc. and subsidiary companies for the three years ended June 30, 1964, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

Oklahoma City, Oklahoma
August 31, 1964

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1966

ASSETS

Current assets:

Cash	\$ 22,418,431
Marketable securities, at cost which approximates market	386,667
Notes receivable, less allowance for loss of \$414,860	5,863,093
Accounts receivable:	
Customers and others, less allowance for loss of \$1,463,247	52,086,265
Inventories (Note 2):	
Petroleum and other products	65,450,143
Materials and supplies	5,045,772
Deposits and prepaid expenses	1,346,108
Total current assets	<u>\$152,596,479</u>

Investments and other assets, at cost:

Notes and accounts receivable due after one year	\$ 6,080,374
Investments in other companies and miscellaneous (Note 3)	9,932,155
	<u>\$ 16,012,529</u>

Property, plant and equipment, at cost (Note 4):

Oil and gas production	\$116,592,161
Drilling	56,704,177
Marketing, pipeline and refining	60,043,864
Plant food	55,947,598
Minerals	58,138,866
Other	30,895,265
	<u>\$378,321,931</u>
Less: Reserves for depreciation and depletion	165,971,031
	<u>\$212,350,900</u>

Deferred charges	\$ 2,336,847
	<u>\$383,296,755</u>

See accompanying notes.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1966

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable	\$ 8,509,487
Accounts payable	37,471,558
Accrued taxes, other than income taxes	3,977,373
Accrued payrolls payable	499,700
Accrued interest payable	539,982
Other accrued liabilities	3,505,416
Taxes on income (Note 7)	10,851,881
Long-term debt due within one year	9,951,968
Dividends payable	2,320,177
Total current liabilities	<u>\$ 77,627,542</u>

Long-term debt due after one year (Note 5)	<u>\$100,216,242</u>
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Deferred credits and reserves:

Federal income taxes (Note 4)	\$ 4,861,928
Income from sale of properties	1,242,826
Other	4,413,447
	<u>\$ 10,518,201</u>

Minority interest in subsidiary company—

Capital stock	<u>\$ 1,890,441</u>
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Stockholders' equity (Note 6):

Common stock, par value \$1—10,000,000 shares authorized, 6,706,768 shares issued	\$ 6,706,768
Capital in excess of par value	70,073,451
Retained earnings (Note 5)	118,256,759
	<u>\$195,036,978</u>
Less: 53,407 shares of treasury stock, at cost	1,992,649
	<u>\$193,044,329</u>

Commitments and contingent liabilities (Note 7)

\$383,296,755

See accompanying notes.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year Ended			
	June 30, 1964	June 30, 1965	December 31, 1965	December 31, 1966
Balance at Beginning of Year	\$62,541,572	\$76,358,872	\$ 83,250,759	\$100,295,455
Net Income	20,679,162	23,516,399	25,068,302	26,726,399
	<u>\$83,220,734</u>	<u>\$99,875,271</u>	<u>\$108,319,061</u>	<u>\$127,021,854</u>
Cash Dividends (A):				
Common Stock	6,861,862	7,830,585	8,023,606	8,765,095
Balance at End of Year (Note 5)	<u>\$76,358,872</u>	<u>\$92,044,686</u>	<u>\$100,295,455</u>	<u>\$118,256,759</u>
(A) Cash Dividends Per Share Common Stock	\$1.10	\$1.20	\$1.225	\$1.325

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

	Year Ended			
	June 30, 1964	June 30, 1965	December 31, 1965	December 31, 1966
Balance at Beginning of Year	\$57,634,574	\$65,233,725	\$66,389,575	\$67,490,679
Sales of Common Stock (Note 6)	7,599,151	1,274,060	1,101,104	2,582,772
Balance at End of Year	<u>\$65,233,725</u>	<u>\$66,507,785</u>	<u>\$67,490,679</u>	<u>\$70,073,451</u>

See accompanying notes.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1966

NOTE 1 — PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of all subsidiaries more than 50% owned.

The investment of the Company, as shown by its books, in subsidiaries consolidated is \$40,863,812 less than its equity in the net assets of such subsidiaries as shown by the books of the subsidiaries. The difference is included in the consolidated balance sheet decreasing net property, plant and equipment \$1,806,522 and increasing deferred federal income taxes \$1,200,000 and retained earnings \$37,857,290.

Intercompany sales and profits considered material have been eliminated.

NOTE 2 — INVENTORIES

Inventories are priced at cost determined on the first-in, first-out method, which is lower than market. Following are the opening and closing inventories used in computing operating costs and expenses.

July 1, 1963	\$27,539,283
July 1, 1964	41,395,604
July 1, 1965	45,630,100
January 1, 1966	53,916,634
December 31, 1966	65,450,143

NOTE 3 — INVESTMENTS AND OTHER ASSETS

Investments in other companies and miscellaneous includes common capital stock of American Potash & Chemical Corporation as follows:

	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
December 31, 1966	228,800	\$9,089,688	\$7,427,700
December 31, 1965	33,800	1,322,822	1,470,300

The market value of the 228,800 shares at March 9, 1967 was \$8,675,100.

NOTE 4 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are depreciated, depleted or amortized over their estimated life by application of the unit-of-production or the straight-line method. In arriving at rates under the unit-of-production method of depreciation and depletion, the quantities of recoverable oil, gas and other minerals were established upon estimates made by the Company's geologists and engineers.

In determining depreciation on equipment computed under the straight-line method, the following rates were used:

Drilling equipment	12½ to 50%
Marine equipment	10 to 20%
Refining facilities	10 to 12½%
Pipeline facilities	10%
Marketing facilities	4 to 33⅓%
Gas processing facilities	6¾ to 20%
Minerals facilities	8 to 33⅓%
Fertilizer facilities	9½ to 16⅔%
Lumber operations	10 to 16⅔%
Automotive equipment	16¾ to 33⅓%
Aviation equipment	16¾ to 20%
Buildings	2 to 20%
Furniture and fixtures	5 to 33⅓%

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 31, 1966

The Company and its subsidiaries follow the policy of capitalizing intangible drilling and development costs of productive wells but deduct such costs in the year incurred in their federal and state income tax returns.

Maintenance, repairs and minor replacements are charged to operating costs and expenses. Upon disposition or retirement of property, the depletion, depreciation and amortization reserves applicable thereto are removed from property accounts. Profit and loss on the sale of properties are taken into income when sold. The net cost of dry holes and the net cost of drilling nonproductive wells, after deduction for salvage, are charged to expense in the year the dry hole or nonproductive well is completed.

For federal income tax purposes, the companies are depreciating certain facilities by use of accelerated methods and have deducted in the year incurred certain costs which have been deferred, and are being amortized in the financial statements. Additional charges or credits have been made to the provision for income taxes equal to the increased or decreased federal income taxes which would have been payable if taxable income had been determined by deducting normal depreciation and by deferring and amortizing such other costs.

NOTE 5 — LONG-TERM DEBT

Long-term debt at December 31, 1966, consists of the following:

	Due after one year	Due within one year
5% insurance company loan, due 1976-1985	\$ 60,000,000	\$ —
5¼% Sinking Fund Debentures, due in annual installments to June 1, 1977	14,748,265	—
4¾% bank loans, due in semi-annual installments through 1970	9,250,000	3,500,000
5½% insurance company loan, due 1972-1976	5,250,000	—
5% bank loans payable in annual installments to July 1, 1971	4,200,000	1,050,000
5½% bank loan payable in varying quarter-annual installments	2,096,544	3,338,787
4½% insurance company loans, due in varying quarter-annual installments through 1969	1,878,134	1,170,000
Other	2,793,299	893,181
	<u>\$100,216,242</u>	<u>\$9,951,968</u>

The aggregate maturities and sinking fund requirements for the five years following December 31, 1966 are:

<u>Year ended</u> <u>December 31</u>	
1967	\$ 9,951,968
1968	10,234,556
1969	6,898,190
1970	5,119,729
1971	2,503,759

Long-term debt agreements contain restrictions on the payment of dividends on common stock. At December 31, 1966, approximately \$45,775,000 of the retained earnings is not subject to these restrictions.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 31, 1966

NOTE 6 — STOCKHOLDERS' EQUITY

Under the Company's employee stock option plans, the 1956 plan options are exercisable during a five-year period commencing three years from the date granted; the 1963 plan options are exercisable 20% each anniversary date until the fifth anniversary date of the grant. The option price under the 1956 plan was approximately the fair market value at the date of grant; under the 1963 plan the option price was 100% of the closing price on the New York Stock Exchange on the date granted. Information regarding employee stock option plans for the three years and six months ended December 31, 1966 follows:

	<u>Shares</u>	<u>Amount</u>
Options becoming exercisable	27,945	
Option price, \$23.50 to \$61.50		\$1,024,397
Market value at date exercisable, \$36.50 to \$84.50		1,780,899
Options exercised	93,473	
Option price, \$17.13 to \$57.00		2,133,390
Market value at date exercised, \$35.00 to \$84.13		4,594,000
Options outstanding at December 31, 1966	46,280	
Option price \$21.75 to \$83.13		2,071,857
Shares available for granting of options at December 31, 1966	51,332	

During the year ended June 30, 1964, 197,794 shares of stock were purchased by holders of warrants at \$37.89 per share, for an aggregate consideration of \$7,494,414 of which \$7,296,620 was used to increase capital in excess of par value. Warrants outstanding at December 31, 1966 entitle the holders to purchase 10,697 shares of common stock of the Company at \$39.12 per share through June 30, 1967, and 1,996 shares at \$43.77 per share through January 4, 1980.

NOTE 7 — COMMITMENTS AND CONTINGENT LIABILITIES

The Company has long-term (three years and over) leases for real property and equipment for which minimum rentals payable will be approximately \$2,449,000 in 1967, \$2,317,000 annually through 1972, then \$1,733,000 annually through 1977, with decreasing amounts thereafter.

The Company is guarantor of loans made to Kermac Potash Company, a partnership, in which the Company is a fifty per cent partner. As of December 31, 1966, such loans amounted to \$21,000,000. The Company and its subsidiaries have certain other contingent liabilities arising from the normal conduct of business, including lawsuits, claims, guaranties, federal taxes, etc., which are not material in the opinion of the officials of the Company.

The federal income tax returns of the Company for a period of several years are currently under examination by the Internal Revenue Service. Certain adjustments have been discussed, but no assessment has been received by the Company. In the opinion of management, any final adjustments will not have a material effect on the financial position of the Company.

NOTE 8 — RETIREMENT PLANS

The Company and certain of its subsidiaries have retirement plans covering the majority of their employees. The total retirement plans expense for 1966 was \$1,215,602. The Company's policy is to fund retirement cost of the various plans currently. The estimated actuarially computed value of vested benefits for all plans at December 31, 1966, was fully funded. During 1966 some of the retirement plans were amended to recognize provision for additional benefits. These changes had the effect of reducing net income for the year by approximately \$214,000.

KERR-McGEE CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

December 31, 1966

NOTE 9 — SUPPLEMENTARY PROFIT AND LOSS INFORMATION

	Year Ended			
	June 30, 1964	June 30, 1965	Dec. 31, 1965	Dec. 31, 1966
Maintenance and repairs were charged to:				
Operating costs and expenses	\$ 6,838,538	\$ 7,595,773	\$ 8,257,892	\$ 9,551,486
Other accounts	286,670	157,508	293,054	286,230
	<u>\$ 7,125,208</u>	<u>\$ 7,753,281</u>	<u>\$ 8,550,946</u>	<u>\$ 9,837,716</u>
Depreciation, depletion, and amortization of fixed and intangible assets were charged to:				
Operating costs and expenses	\$17,870,050	\$19,531,406	\$21,154,132	\$20,808,636
Other accounts	83,899	298,084	963,125	356,270
	<u>\$17,953,949</u>	<u>\$19,829,490</u>	<u>\$22,117,257</u>	<u>\$21,164,906</u>
Taxes, other than income taxes were charged to:				
Operating costs and expenses:				
Gross production	\$ 1,107,562	\$ 1,234,730	\$ 1,301,954	\$ 1,544,763
Ad Valorem	1,491,456	1,808,220	1,950,413	2,234,402
Payroll	1,461,515	1,512,577	1,651,268	2,079,083
Other	827,505	965,755	965,575	855,430
Other accounts	78,539	74,491	115,676	49,102
	<u>\$ 4,966,577</u>	<u>\$ 5,595,773</u>	<u>\$ 5,984,886</u>	<u>\$ 6,762,780</u>
Rents and royalties were charged to:				
Operating costs and expenses:				
Rents	\$ 2,925,485	\$ 3,872,757	\$ 4,236,412	\$ 3,733,562
Royalties	166,824	114,957	122,524	104,920
Other accounts	66,904	112,506	147,754	—
	<u>\$ 3,159,213</u>	<u>\$ 4,100,220</u>	<u>\$ 4,506,690</u>	<u>\$ 3,838,482</u>

There were no management or service contract fees paid during the above periods.

EXHIBIT C-II
AGREEMENT OF MERGER
KERR-McGEE CORPORATION
and
AMERICAN POTASH & CHEMICAL CORPORATION

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

American Potash & Chemical Corporation:

We have examined the consolidated balance sheet of American Potash & Chemical Corporation and consolidated subsidiary companies as of December 31, 1966, and the related statement of consolidated income for the five years then ended, and the statement of consolidated earned surplus for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As stated in Note 7 to financial statements and Note 3 to Statement of Consolidated Income, the actuarial valuation of the Company's noncontributory retirement plan fund as of December 31, 1966, indicated that the plan was fully funded. Accordingly, the Company, with our concurrence, made no provision for a contribution to the plan in 1966.

In our opinion, the above-mentioned consolidated financial statements present fairly the financial position of the companies at December 31, 1966, and the results of their operations for the stated periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Los Angeles,
February 21, 1967.

**AMERICAN POTASH & CHEMICAL CORPORATION
AND CONSOLIDATED SUBSIDIARY COMPANIES**

Consolidated Balance Sheet, December 31, 1966

ASSETS

Current Assets:

Cash	\$ 3,471,678
Short-term investments, at cost which approximates market.....	1,587,627
Accounts receivable:	
Trade (less provision against losses, \$161,000)	9,777,835
Other	394,695
Inventories, at lower of average cost or market:	
Finished products (Note 2)	7,962,217
Products in process (Note 2)	1,048,439
Materials and supplies	5,872,273
Other Current Assets	395,994
Total Current Assets	<u>30,510,758</u>

Investments and Other Receivables:

Investment in Borax & Chemicals, Limited (in United Kingdom—100% owned) (Note 3)	429,317
Investment in other companies, at cost	1,958,326
Trust-deed notes receivable (Note 11)	291,755
Total Investments and Other Receivables	<u>2,679,398</u>

Property—At Cost (Notes 4 and 6):

Land and mineral deposit leaseholds	2,098,087
Operating plants and equipment	133,686,052
Other facilities	2,775,635
Construction in progress	5,381,137
Total	143,940,911
Less reserves for depreciation and amortization	59,892,790
Property—Net	<u>84,048,121</u>

Mineral Deposits Owned in Fee

1

Deferred Charges	481,614
Total	<u>\$117,719,892</u>

The accompanying notes to financial statements are an integral part of this statement.

**AMERICAN POTASH & CHEMICAL CORPORATION
AND CONSOLIDATED SUBSIDIARY COMPANIES**

Consolidated Balance Sheet, December 31, 1966

LIABILITIES

Current Liabilities:

Accounts payable	\$ 4,781,573
Wages payable	205,446
Federal taxes on income (Note 5)	1,841,755
Other taxes	466,970
Portion of long-term debt due within one year	723,080
Other current liabilities	454,607
Total Current Liabilities	8,473,431

Deferred Federal Taxes on Income (Note 5)	7,728,000
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Long-Term Debt (Note 6):

4¾% notes, maturing October 1, 1988	20,000,000
Revolving credit notes	4,000,000
5% trust-deed note	1,754,740
Noninterest-bearing trust-deed notes (liability limited to Henderson plant)	230,560
Total Long-Term Debt	25,985,300

Commitments and Contingent Liabilities (Note 11)

Minority Interest in Subsidiary Company	148,548
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Capital Stock and Surplus:

Capital stock, without par value (Notes 8 and 9):	
\$4 Cumulative Preferred Stock, Series A	3,010,000
\$5 Cumulative Special Preferred Stock	372,400
Common Stock	33,222,562
Earned surplus (Note 10)	38,843,160
Total	75,448,122

Less treasury stock, at cost:

\$4 Cumulative Preferred Stock, Series A, acquired in anticipation of redemption requirements	16,491
Common Stock	47,018
Total treasury stock	63,509

Capital Stock and Surplus—Net	75,384,613
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Total	\$117,719,892
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The accompanying notes to financial statements are an integral part of this statement.

**AMERICAN POTASH & CHEMICAL CORPORATION
AND CONSOLIDATED SUBSIDIARY COMPANIES**

STATEMENT OF EARNED SURPLUS

For the Three Years Ended December 31, 1966

	Year Ended December 31		
	1964	1965	1966
Balance—at beginning of year.....	\$29,048,914	\$32,291,700	\$35,864,420
Add—net income for the year.....	6,158,394	6,811,991	6,568,305
Total	<u>35,207,308</u>	<u>39,103,691</u>	<u>42,432,725</u>
Deduct cash dividends:			
\$4 Cumulative Preferred Stock, Series A.....	152,346	120,792	119,982
\$5 Cumulative Special Preferred Stock.....	18,620	18,620	18,620
Common Stock—\$1.20 a share for the year ended December 31, 1964; \$1.35 a share for the year ended December 31, 1965; and \$1.50 a share for the year ended December 31, 1966.....	2,744,642	3,099,859	3,450,963
Total	<u>2,915,608</u>	<u>3,239,271</u>	<u>3,589,565</u>
Balance—at end of year (Note 10).....	<u>\$32,291,700</u>	<u>\$35,864,420</u>	<u>\$38,843,160</u>

The accompanying notes to financial statements are an integral part of this statement.

AMERICAN POTASH & CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. Consolidation:

It is the practice of the Company to include in consolidation all domestic operating subsidiary companies. The consolidated financial statements, accordingly, include all subsidiary companies except Borax & Chemicals, Limited, a wholly owned subsidiary in the United Kingdom. All subsidiaries included in consolidation are wholly owned except San Antonio Chemicals, Inc. (56.7% owned). Significant intercompany balances and transactions are eliminated in consolidation.

At December 31, 1966, the Company's investment in consolidated subsidiaries was \$1,393,718 less than its equity in the net assets of the subsidiaries as shown by their books. This difference, representing net earnings of the subsidiaries since acquisition (of which \$693,718 is undistributed and \$700,000 has been capitalized by payment of a stock dividend by one subsidiary), is included in earned surplus in consolidation.

Borax & Chemicals, Limited owns all the outstanding shares of George H. Poole & Son (Bootle) Limited, also in the United Kingdom. These two subsidiaries are not significant subsidiaries and are not included in consolidation. However, all intercompany profit in the inventory of Borax & Chemicals, Limited has been eliminated from consolidated income.

The minority interest in subsidiary companies at December 31, 1966, in the amount of \$148,548 consists of minority interest in capital stock, \$43,288, and minority interest in earned surplus, \$105,260.

2. Inventories:

Finished products and products in process inventories used in arriving at the cost of products sold are as follows: January 1, 1964, \$8,345,199; December 31, 1964, \$7,610,751; December 31, 1965, \$7,877,704; and December 31, 1966, \$9,010,656.

3. Investment in Borax & Chemicals, Limited:

The investment in Borax & Chemicals, Limited, at December 31, 1966, consists of the following:

Capital Stock of subsidiary (2,000 shares of £1 each)—at cost.....	\$ 9,346
Advances	451,044
Total	460,390
Less reserve for intercompany profit in inventory of subsidiary.....	31,073
Remainder	<u>\$429,317</u>

The Company's equity in Borax & Chemicals, Limited, at December 31, 1966, exceeds the Company's cost of capital stock by approximately \$9,000.

4. Property and Related Reserves for Depreciation and Amortization:

It is the policy of the companies, except as otherwise stated below, to provide for depreciation of plants, equipment, and other facilities on the straight-line method at the following annual rates based upon the estimated service lives of the property:

Buildings and improvements.....	2% to 5%
Plant machinery and equipment.....	4% to 15%
Furniture, fixtures, and office equipment.....	5% to 20%
Automotive equipment	10% to 33 1/3%

Since January 1, 1943, provision for depreciation on railroad structures and equipment has been taken at composite rates approved by the Interstate Commerce Commission.

No provision is made for depletion of mineral deposits owned in fee since they are carried on the Company's books at a nominal amount of \$1. However, in determining its taxable income, the Company is entitled to deduct an allowance for percentage depletion with respect to both fee lands and leased lands, such allowance being equivalent generally to 15% of the gross income but not in excess of 50% of the net income from the properties.

NOTES TO FINANCIAL STATEMENTS—(Continued)

Upon the retirement or other disposition of property, the related reserve is charged with the accumulated depreciation or amortization applicable thereto, and any resultant profit or loss is credited or charged to income.

Maintenance, repairs, and renewals are charged to income as incurred; betterments are capitalized.

5. Federal Taxes on Income:

The Treasury Department has examined the federal income tax returns of the Company through 1964, and all additional assessments levied have been paid. In the opinion of the Company, adequate provision for federal income taxes for subsequent years has been made.

Information with respect to provisions for deferred taxes and investment credit is set forth in Notes 4 and 5, respectively, to the Statement of Consolidated Income appearing elsewhere herein.

6. Long-Term Debt:

The 4½% promissory notes are payable in annual instalments of \$850,000 for the years 1971 through 1978 and \$1,250,000 in the years 1979 through 1987 with final maturity on October 1, 1988.

The revolving credit notes were issued pursuant to a bank loan agreement under which the Company may borrow up to \$10,000,000 at any time prior to October 1, 1968. The notes then outstanding are to be converted to term notes payable in twelve equal quarterly instalments commencing January 1, 1969. The notes bear interest at 4½%.

The trust-deed notes payable are due in quarterly instalments of \$103,220 for the 5% note maturing in 1972 and \$77,550 for the noninterest-bearing notes maturing in 1968. A major portion of the Company's Henderson Plant, included in the accompanying balance sheet at a cost of approximately \$15,000,000 at December 31, 1966, is subject to these notes.

The approximate maturities of long-term debt outstanding at December 31, 1966, during the five years ending December 31, 1971, are as follows: 1967, \$723,000 (including current liabilities); 1968, \$643,000; 1969, \$1,746,000; 1970, \$1,746,000 and 1971, \$2,596,000. There are no sinking fund requirements during such period.

7. Retirement Plan:

The Company and its Domestic Subsidiaries pay the entire cost of a retirement plan for employees who have been employed for at least two years and have complied with the other conditions provided by the plan. Funds are deposited with John Hancock Mutual Life Insurance Company, under a Pension Administration form of contract, in amounts actuarially determined to be adequate to provide retirement annuities at the time of retirement. The actuarial valuation of the Company's noncontributory retirement plan fund as of December 31, 1966 indicated that the plan is fully funded for both current and past service costs and that no provision for a Company contribution to the fund was required for 1966. The provision, net of related income tax, was approximately \$305,000 (\$.13 per share) in 1964; \$390,000 (\$.17 per share) in 1965.

8. Capital Stock:

Information as to the number of shares of capital stock authorized and outstanding, etc., as of December 31, 1966, is as follows:

\$4 Cumulative Preferred Stock, Series A:	
Authorized and issued.....	30,100
Acquired in anticipation of requirement to redeem each year 2,100 shares, through purchase or sinking fund redemption.....	182
\$5 Cumulative Special Preferred Stock:	
Authorized	3,750
Issued and outstanding.....	3,724
Common Stock:	
Authorized	3,000,000
Reserved for issuance under restricted and qualified stock option plans	105,035
Acquired and held in treasury.....	1,500
Outstanding	2,299,542

NOTES TO FINANCIAL STATEMENTS—(Continued)

The \$4 Cumulative Preferred Stock, Series A, is the senior issue of preferred stock. Such shares are redeemable at the option of the Company at \$100 a share plus accrued dividends and are entitled to the same amount in the event of liquidation. The Company is required to redeem each year 2,100 shares of its Series A Preferred Stock, through purchase or sinking fund redemption, and as of December 31, 1966, had fulfilled the 1967-1968 requirements, and had acquired 182 shares in anticipation of the requirements for the year ended December 31, 1969.

The \$5 Cumulative Special Preferred Stock is redeemable at the option of the Company at \$103.50 a share plus accrued dividends until December 31, 1969, and thereafter at prices ranging downward from \$103 to \$100 plus accrued dividends, and is entitled in the event of voluntary liquidation to the amount required to be paid upon redemption, and in the event of involuntary liquidation to \$100 a share plus accrued dividends.

Except as set forth above, none of the shares of the capital stock of the Company or any of its subsidiaries was reserved for options, warrants, conversions or other rights.

9. Stock Options:

In 1961, a restricted stock option plan was adopted in which provision was made to grant options on 113,500 shares of Common Stock to officers and key employees of the Company at not less than 95% of the quoted market price of the stock on the date of granting each option. Options granted prior to January 1, 1964 under the 1961 plan are for a term of ten years. The 1961 plan, as amended in 1964, provides that options granted subsequent to December 31, 1963 are for a term of five years, and may not be exercised while prior grants are outstanding at a higher option price. The Company has previously granted options with a term of seven years under a restricted stock plan approved by the stockholders in 1956; no further options may be granted under this plan. The plans are administered by a Stock Option Committee consisting of all directors of the Company who are not officers, employees, or grantees under the plans. Options granted under the plans become exercisable by their terms as to 25% of the shares optioned after six months from the date the option was granted, as to 50% after one year, as to 75% after two years, and as to 100% after three years. No amounts are recorded in the Company's accounts for stock options until they are exercised, at which time the shares sold are recorded at the option price.

Information as to options which became exercisable during the three years ended December 31, 1966 is summarized as follows:

Period Became Exercisable	Number of Shares	Option Price		Market Value at Date Exercisable	
		Per Share	Total	Per Share	Total
Year Ended December 31, 1964.....	26,642	\$27.08 to 49.93	\$1,042,330	\$32.63 to 38.13	\$ 909,930
Year Ended December 31, 1965.....	20,613	27.08 to 45.25	724,806	38.50 to 45.50	903,758
Year Ended December 31, 1966.....	17,150	27.08 to 45.25	584,686	32.06 to 38.00	640,471
Total	<u>64,405</u>		<u>\$2,351,822</u>		<u>\$2,454,159</u>

Information as to options exercised during the three years ended December 31, 1966 is summarized as follows:

Period Exercised	Number of Shares	Option Price		Market Value at Date Exercised	
		Per Share	Total	Per Share	Total
Year Ended December 31, 1964.....	4,250	\$27.08 to 34.44	\$123,641	\$32.88 to 40.25	\$156,588
Year Ended December 31, 1965.....	7,940	27.08 to 34.44	237,857	36.38 to 46.88	332,297
Year Ended December 31, 1966.....	2,800	27.08 to 43.46	85,940	35.88 to 47.31	123,022
Total	<u>14,990</u>		<u>\$447,438</u>		<u>\$611,907</u>

NOTES TO FINANCIAL STATEMENTS—(Continued)

Information as to the options outstanding at December 31, 1966 is set forth in the following tabulation:

	Number of Shares	Option Price		Market Value at Date Granted	
		Per Share	Total	Per Share	Total
5/ 2/60	2,165	\$34.44	\$ 74,557	\$36.25	\$ 78,481
2/17/61	200	48.45	9,690	51.00	10,200
4/25/61	24,925	49.93	1,244,614	52.56	1,310,058
4/24/62	12,650	43.11	545,342	45.37	573,931
4/30/63	15,800	27.08	427,785	28.50	450,300
4/28/64	24,745	33.25	822,771	33.25	822,771
4/27/65	14,950	45.25	676,488	45.25	676,488
6/21/66	4,500	38.88	174,960	38.88	174,960
	<u>99,935</u>		<u>\$3,976,207</u>		<u>\$4,097,189</u>

Options outstanding at December 31, 1966 were exercisable at that date except for 17,188 shares which will become exercisable in future years as follows: 11,200 in 1967, 4,863 in 1968, and 1,125 in 1969.

As of December 31, 1966, there were 5,100 shares available for the granting of options.

10. Surplus Restrictions:

The availability of earned surplus for payment of dividends on or purchase or redemption of Common Stock is restricted by the provisions of the 4¾% notes and bank loan agreement (see Note 6 to financial statements) and by a financing agreement under which funds were obtained from a bank for financing employee housing at Trona, California.

The 4¾% notes (wherein "consolidated" is defined as the Company and wholly owned domestic subsidiaries) restrict the declaration or payment of any dividends on its Common Stock (other than in Common Stock) to the consolidated net income earned since December 31, 1962 plus \$6,000,000 and only if consolidated net working capital is \$10,000,000 after declaration or payment of such dividends. The bank loan agreement (wherein "consolidated" is defined as the Company and its wholly owned domestic subsidiaries) requires the Company to maintain consolidated tangible net worth of \$56,000,000 and consolidated working capital of \$10,000,000. The financing agreement requires the Company to maintain a consolidated net worth of \$18,000,000 and a consolidated net working capital of \$2,000,000.

Under the most restrictive of the above described provisions approximately \$11,700,000 of the consolidated earned surplus at December 31, 1966 is unrestricted.

11. Commitments and Contingent Liabilities:

At December 31, 1966, the Company had commitments aggregating approximately \$5,500,000 for the construction of plant facilities.

The Company and a subsidiary, in substance, are acting largely as intermediaries and guarantors under an arrangement for financing employee home purchases at Trona. Accordingly, the uncollected balance on the trust-deed notes, less the related obligation of approximately \$140,000 to the bank (which is being met out of collections on the notes receivable), has been shown as a net figure in the accompanying balance sheet.

NOTES TO FINANCIAL STATEMENTS—(Continued)

12. Income from Trona Railway Company:

The amounts included in consolidated income under the caption "Income from Trona Railway Company, Before Provision for Federal Taxes on Income" consist of the following:

	Year Ended December 31		
	1964	1965	1966
Railway operating revenue.....	\$1,411,532	\$1,381,965	\$1,385,215
Add miscellaneous income.....	7,913	7,990	7,548
Total	<u>1,419,445</u>	<u>1,389,955</u>	<u>1,392,763</u>
Deduct:			
Railway operating expenses:			
Repairs and maintenance.....	251,995	263,232	261,103
Depreciation	61,119	62,167	62,590
Other	440,578	421,305	422,300
Other expenses:			
Railway taxes (principally property taxes).....	116,496	118,309	119,363
Rents	101,023	90,326	93,340
Miscellaneous	721	686	733
Total	<u>971,932</u>	<u>956,025</u>	<u>959,429</u>
Income before provision for Federal taxes on income...	<u>\$ 447,513</u>	<u>\$ 433,930</u>	<u>\$ 433,334</u>

Of the operating revenue shown in the above tabulation, approximately 72% in 1964, 74% in 1965, and 75% in 1966 was derived from the Company and its customers, substantially all of which applied to customers. Freight paid by the Company for its customers is excluded from the Company's income accounts.

13. Supplementary Profit and Loss Information:

Information as to repairs and maintenance, depreciation, taxes, etc. for the three years ended December 31, 1966, are as follows:

	Year Ended December 31		
	1964	1965	1966
Maintenance and repairs:			
Cost of products sold.....	\$4,013,247	\$4,422,499	\$5,043,107
Selling, Administrative and General expenses.....	7,807	17,213	50,341
Depreciation and amortization:			
Cost of products sold.....	6,133,170	6,063,606	6,888,103
Selling, Administrative and General expenses.....	110,687	137,666	206,673
Taxes other than Taxes on Income:			
Cost of Products Sold:			
Property taxes	564,312	603,671	643,320
Payroll taxes, etc.	429,045	396,541	582,163
Selling, Administrative and General expenses:			
Property taxes	46,113	42,316	42,067
Payroll taxes, etc.	86,762	104,125	116,299
Rents:			
Cost of Products sold.....	109,533	166,944	155,078
Selling, Administrative and General expenses.....	271,646	236,218	254,379
Royalties:			
Cost of Products sold.....	794,396	849,354	855,862

The above tabulation does not include amounts applicable to Trona Railway Company which are shown separately in Note 12.

There were no management or service contract fees.

ATTACHMENT NO. 2

Minutes of the regular annual meeting of the Stockholders of Lindsay Light Company, held at the office of said Company, #161 East Grand Avenue, Chicago, Illinois, on Tuesday, January 20th, 1920 at the hour of four o'clock P. M., pursuant to notice.

-:-

The meeting was called to order by Mr. Jos. M. Sherburne, the President of the Company, who acted as Chairman of the meeting, and the Secretary of the Company, Mr. Otto N. Berndt, acted as Secretary of the meeting.

The Secretary presented to the meeting a copy of the notice which had been mailed to each of the Stockholders. Said notice to the Stockholders, to which is attached an affidavit showing the mailing thereof, to each and every Stockholder, is in the words and figures following, viz:

Chicago, January 6-1920.

To the Stockholders of the
LINDSAY LIGHT COMPANY:

YOU ARE HEREBY NOTIFIED that the regular annual meeting of the Stockholders of the Lindsay Light Company will be held on Tuesday, the 20th day of January, 1920, at the hour of four o'clock P. M., at the general offices of the Company, 161 East Grand Avenue, Chicago, Illinois, for the purpose of electing Directors for the ensuing year, and for the transaction of such other business as shall come before said meeting.

You are also hereby notified that at said meeting, the question of increasing the number of Directors of the Lindsay Light Company from five to seven will be presented to the Stockholders for consideration and action.

If you have not already done so, please send in a proxy so that your stock may be voted at the meeting.

Yours very truly,
LINDSAY LIGHT COMPANY

Otto N. Berndt.
SECRETARY.

State of Illinois {
County of Cook {

Mr. Otto N. Berndt, being first duly sworn on oath says that a duplicate of the above notice was mailed to each and every Stockholder of the Lindsay Light Company at Chicago, Illinois, postage prepaid, at the last known address of each Stockholder, respectively, on January 9th, 1920.

Subscribed and sworn to before me, this
day, the 20th day of January 1920.

Thereupon, the roll of Stockholders was called with the result that the following were found to be present:

Present in Person

Number of Shares
Common Preferred

Bremner, John B.	150	
Davis, J. W.	400	
Laubenheimer, Geo.	200	
McCoy, Herbert N.	520	400
Starr, Arthur P. Estate of	100	
Stenersen, C.	70	
Tydings, Oliver	100	200
Wilsey, Robert E.		50

Beste, H. C.
Berndt, Otto N.
Coffelt, O. T.
Cordell, F. P.
Buchanan, W. W.
Hoggins, E.
Hannah, W. P.
Hellerman, L.
Lanthrop, Jos. C.
Lindsay, Jr., Chas. R.
Sherburne, Jos. M.
Sinai, Alexander

1540 650

Total present in Person -----2,190

Present by Proxy

Number of Shares
Common Preferred

Mr. Jos. M. Sherburne, personally,
holding proxies for the following:

Alcan, Irvin	20	
Antonisen, W. M.	100	
Baecker, F. G.	10	
Bangs, Emma Ruth	10	
Bangs, Ruth	10	
Barton, Wm. S.	50	
Barrett, Oliver	100	
Baumbauer, John V.	5	
Bauer, Joseph	10	
Beattie, John	60	
Behrend, M. A.	50	
Bennett, J. Frank	200	
Berndt Sr., Otto		500
Beste, H. C.		1025
Beste, Mary H.		100

	<u>Common</u>	<u>Preferred</u>
Beutel, Clarence A.	50	
Bigley, Joseph	25	
Blank, Emma	12	100
Blazek, Jos. F.	20	
Blanckencie, E. E.	10	
Blodgett, John J.	50	
Blomquist, A. F.	10	
Blonquist, Carl I.	50	
Boand, Lena J.		100
Boisot, Louis	300	
Boisot, Mary	20	
Bosker, Harry E.	30	
Bosshart, Chas. M.	160	
Boye, C. L.	200	
Broadhurst, Wallace G.	25	
Brinton, C. W.	15	
Breen, May E.	115	
Brown, Clarence	10	
Buettner, Louis F.	100	
Burns, Thomas	20	
Byer, Peter W.	30	
Bender, Geo. S.	10	
Carrie, Miss Beatrice	25	
Castle, R. S.	75	
Cederholmes, N. E.	10	
Clark, Geo. D.	50	
Clement, Curtis & Co.	585	
Cokins & Company	30	
Colby, J. A.	100	
Colligan, Patrick J.	30	
Colvin & Co., Wm. H.	2770	55
Conrad, J. W.	50	
Cross, Jas. W.	32	
Curtis, Robert M.	200	
Crowley, Martin J.	10	
Davison, Jessie E.	50	
Daly, Joseph D.	100	
Danahy, Nellie	10	
Danahy, Arthur	30	
Denvir, John F.	20	
De Mauriac, Antoinette	5	
Dohrman, Will H.	10	
Doran, Harry E.	25	
Dresher, Mrs. Elizabeth	10	
Dumais, Leo J.	10	
Dunlevy, Lorimer	15	
Donahoe, E. S.	10	
Enright, Teresa E.	100	
Edwards, Emma L.	10	
Egan, R. Ben.	50	
Eifrig, E. G.	10	
Esdohr, Herman H.	200	
Esdohr, Fred H.	100	
Falk, M. L.	100	
Farrell, Michael	115	
Faude, William	85	

	<u>Common</u>	<u>Preferred</u>
Favel, Nellie	10	
Fenimore, Alvin S.	50	
Feldmann, John L.	10	
Field, Wentworth C.	166	
Finesilver, Joe	35	
Ford, Arthur	3	
Frank, Fred W.	25	
Gauer, Nicholas J.	50	
Gazlay, William S.	20	
Gazlay, Richard C.	1	
Cardiner, Mary P.	20	
Geiger, May S.	20	
Gielow, Martha	25	
Gilman, Hattie S.	50	
Gilmore, Emma C.	10	
Goldsmith, Nathan	30	
Goldstone, David		20
Grant, Joseph O.	40	
Gunther, John	50	
Gunton, Ruby V.	5	
Gillis, Sadie Jones	5	
Haggerty, Mary J.	50	
Halvorson, Hedwig E.		50
Haines, Ernest H.	30	
Harmke, Charles	150	
Harris, Winthrop & Co.	585	
Hawley, Mrs. Frances H.	20	
Heffernan, Richard J.	40	
Heffernan, John J.	150	
Hefter, Mrs. Nettie	25	
Heiden, Wm. H.	15	
Henger, C. W.	120	80
Hector, Beatrice L.	40	
Henn, Frank J.	40	
Hinde, Thos. M.	100	
Hoebel, F. C.	50	
Holmquist, Anna		110
Hoggins, Edwin	10	
Hornblower & Weeks	925	
Hoover, Harry	10	
Hoover, W. W.	100	
Hulburd, Warren & Chandler	35	50
Hill, Frederick	10	
Hahn, Evelyn	5	
Ireland, Andrew J.	5	
Irvin, A. J.	100	
Isaacson, Roger S.	100	
Isaacson, Thora K.	50	
Jensen, Emilie J.	15	
Jensen, Julia E.	5	
Jensen, Agnes C.	15	
Joiner, Zella M.	20	
Johnson, Harry O.	15	

CommonPreferred

Johnson, George L.	20	
Jones, Roy E.	10	
Jones, J. B.	10	
Jones, Bernard T.	30	
Kane, Helen L.	10	
Keller, Lewis A.	10	
Kelley, Walter J.	10	
Kelly, Monie E.	30	
Kelly, James J.	30	
Kelly, Arthur J.	10	
Kelly, W. H.	15	
Kelly, Mrs. Bessie G.	35	
Kennedy, George A.	150	
Kesner, Isaac L.	85	
Klatte, Wm. A.	30	
King, Geo. S.	25	
King, Farnum & Co.	25	
Krouch, John L.	100	
Kroeber, Ottilie H.	10	
Kenoyer, Welden R.	50	
Kelly, James J.	10	
Laird, Marion	20	
Lane, Jr., James H.	30	
Lally, R. T.	15	
Laverty, James	25	
Lauzon, David J.	10	
Lee, Susie	80	
Leitmer, Leo H.	25	
Lester, Carter & Co.		50
Lindsay Jr., Chas. R.		23694
Lindsay Jr., Chas. R. Guardian of C. R. Lindsay, 3rd.		3868
Lindsay Jr., Mrs. C. R.		600
Lindsay, Ella W.		200
Lindstein, Edward J.	100	
Loeffel, John C.	50	
Logan & Bryan	455	
Logan, Anne Shay	50	
Lommatzech, Otto	12	
Lowenstine, Mandel	500	
Lutz, Jos. A.	50	
Lux, William A.	50	
Lyons, Tom	40	
Mac Farlane, R. E.	5	
Maginnis, C. S.	40	
Mann, A. G.	50	
Markle, A. M.		100
Marcuse & Company	25	
Massey & Company, Harry A.	3103	
Maurd, Martin	10	
Mayer, David	40	
Mayer, John M.	400	110

	<u>Common</u>	<u>Preferred</u>
Meagher, M.		232
Merrill, Lynch & Co.	325	
Mummel, Simon G.	5	
Meyer, G. A.	45	
Meyers, Richard L.	30	
Metcalf, Arthur G.	200	
Miller, Robert W.	30	
Miller, Emma	90	
Miller, Lucile	5	
Milmine, John	150	
Milmine, Mrs. Mabel Clare	100	
Morrissey, John J.	50	
McCarty, John A.	65	
McConagil, W. J.	10	
McHugh, Mary E.	20	
McLaughlin F. L.	50	200
McManus, Mary G.	60	
McMahon, Stephen E.	75	
Nason, Frank	150	
Nenneman, W. T.	15	
Newhall, Walter W.	20	
Noyes & Jackson	260	
Olds, Caryl E.	30	
Oliphant & Co., Jas. H.	415	3135
Omann, Louisa	40	
Oppenheim, A.		100
Osgood, Roy C.	15	
Olson, Ebba J.	39	
Paulus, Lizzie M.	50	
Palash, Bernard	25	
Palma, Domenico	10	
Paine, Webber & Co.	465	
Pecksholdt, William	10	
Pendell, C. M.	50	
Phillips, Parker	30	
Pinkowitz, Julius G.	50	
Pickett, Ada H.	10	
Pond, George F.	22	
Postma, Frances G.	5	
Powell, William H.	100	
Price, J. Edward	25	
Pynchon & Company	120	
Peterson, John O.	25	50
Radewagen, Alfred	100	
Radewagen, Richard	68	
Randall, Frank C.	50	50
Raff, Mary E.	10	
Reinlie, Albert	100	
Reinhardt, Fred W.	100	
Risdon, Ambrose	60	
Robinson, Adelia E.	5	
Rolley, J. R.	30	
Rosenburg, C. T.	35	
Rosenfeld, Julia S.	25	

	<u>Common</u>	<u>Preferred</u>
Rose, Belle	50	
Rubey, Clara	5	
Russell, Brewster & Co.	430	
Russokov, Milton	50	
Ryan, Margaret J.	90	
Roney, Harry K.	30	
Roach, C. Myrtle	10	
Salzman, Jack L.	50	
Saunders, Charles L.	30	
Scanlan, William J.	260	
Scheer, W. M.	10	
Schneider, Lillian E.	20	
Schweer, Fred J.	125	
Schweer, A. W.	50	
Schuetzner, John	300	
Schmidt, Walter C.	10	
Schmitz, Louis	100	
Semrad, Earl L.	10	
Shearson, Hammill & Co.	750	
Shaver, Mary L.	30	
Siebkens, Bertha	30	
Simmons, India S.	30	20
Simmons, J. W.	660	440
Sincere & Co., Charles	522	
Smith, Julian C.	75	
Smith, C. A.	25	
Smith, Claude F.	50	
Smith, C. T. E.	100	
Smith, Marion	55	
Smith, Amos R.	150	
Spies, Geo. H.	20	
Spitler, Anna L.	75	
Sonnenschein, J.	50	
Stern, Milton	20	
Stein, Adolph Estate of	100	
Stevens, Robert W.	50	
Stapleton, Mae	63	
Stone, Elmer L.	25	30
Stretch, Mary	20	
Suess, Geo. P.	40	
Sullivan, Ella	5	
Sullivan, Mrs. Julia	10	
Swenson, Axel E.	25	
Sheehan, Lillie	20	
Sherburne, Anne E.		100
Sherburne, Jos. M.	10	750
Slayton, Florence E.	50	
Talbot, James R.	10	
Taylor, Edward B.	5	
Temple, Frances C.	10	
Thorsen, R. Thor	100	
Thompson, Racine	10	
Thomas, George W.	40	
Toole, Sellie H.	50	
Townsend & Co., J. J.	110	
Twitchell, Mrs. S. Geraldine	25	
Ulrich, Rhoda	10	

	<u>Common</u>	<u>Preferred</u>
Van Alstyne, Mabelle	27	
Van Duzer, Obie W.	35	
Waldmann, Henry A.	275	
Wade, R. M.	25	
Wags, Mrs. Eunice	10	
Walkowiak, Anthony E.	20	
Ward, Hayden W.	20	
Ware & Leland	275	
Weber, Josephine	25	
Westpfahl, Frank C.	200	
Wharton, Francis A.	60	
Wheeler, E. C.	5	
White, William S.	15	
Whitcher, Mrs. G. M.		800
Wilson, Eleanor Spry	100	
Wilmot, Ross H.	100	
Williams, Oliver A.	35	
Williams, Miss Margaret	25	
Winger, Marie K.	10	
Wiseman, Evelyn	15	
Wolff, Mrs. Sarah	50	
Wolf, Mrs. Eva	50	
Woitek, June	10	
Woitek, Laurine C.	10	
Woitek, Mrs. F.	10	
Wright, Rachal M.	8	
Weber, Agnes	25	
Wilsey, Robert E.		50
Zacharias, Jr., John L.	50	
Zearing, Louis A.	30	
Zeiler & Co., F. M.	590	
Zinnbrabe, Louis	10	
Zwicky, Mrs. Michael	21	14
	<u>27344</u>	<u>36783</u>

Total number of Shares represented
by proxies, held by Mr. Sherburne ----- 64,127

-:-

Mr. Otto N. Berndt, as Secretary of
Lindsay Light Company, holding prox-
ies for the following:

Adams, Alice	5	10
Andreoni, Louis		50
Aschermann, Elmer S.	10	
Berndt, Otto N.	100	200
Berryman, Bertha B.	30	
Berryman, Lloyd V.	10	
Berryman, Martha J.	25	
Bolle Henry		100
Bolley, John R.		50
Burke, Thos. J.	35	

	<u>Common</u>	<u>Preferred</u>
Cahill, Nora	30	10
Cameron, F. L.	50	
Chevaux, Emil		50
Clader, Emma E.	30	
Coffelt, O. T.	5	
Coleman, Emil	100	
Corn, Frances	50	
Counter, Dray H.		50
Cramer, Harry W.	20	
Crowe, John V.	200	
Cumming, George H.	50	
Cumming, Margaret R.	25	
Desjardines, Emma	10	
Desjardines, Noel D.	30	
Donovan, Daniel J.	10	
Doniat, Josephine C.	25	
Dunne, William J.	40	
Egbert, Eva	20	
Ehrlicher, George	20	
Enright, Michael E.	25	
Enright, Teresa E.	100	
Eppstein, Joe R.	100	
Erion, Jr., John	200	
Flynn, Michael J.		20
Gadbois, Mabel		10
Geegan, Thomas J.	40	
Gensert, Carrie W.	25	
Gerlach, Margaret T.	10	
Gillen, Mary	10	
Gohs, Mabelle R.		50
Coldberg, S. M.	10	
Griesemer, Charles J.		10
Haines, Ernest H.	30	
Hannifin, Catherine	200	
Hansen, L. H.	15	
Hellerman, Leslie		10
Hopkins, Maude D.	5	
Hoyne & Co., Eugene M.	25	
Hunter, Anna	50	
Inderrieden, Jos. S.	100	
Jackson, V. T.	8	35
Jellum, E.	20	
Jones & Baker	20	
Kavanagh, Edward	50	
Keil, Mayme	25	
Keuper, Harriet M.	10	
Lalor, Wm. H.	75	
Landsberg, Edward		100
Latham, Amelia		50
Lewis, Charles L.	100	
Lomax, Mrs. Louise E.	100	
McDermott, Lillian	30	20
McGhee, Mary		20
McGovern, Elizabeth,		200
Mahoney, Julia C.	20	
Martin, Patrick	10	

	<u>Common</u>	<u>Preferred</u>
Masters, Joanna	20	20
Melody, Estella	50	
Milroy, Admirelda	100	
Moss, F. J.	15	
Movins, M.	200	
Newburn, John W.	140	
Newhall, Walter W.	20	
Periolat, E. J.	63	
Periolat, John A.	62	
Peterson, Arvid L.	10	
Peterson, Frank	50	
Peterson, Ingolf	50	
Phelan, Margaret		60
Platt, Frank J.		100
Platzner, Carl	25	
Postma, Gertrude	10	
Ratty, Anna	10	
Ratty, Mary	10	
Ratty, Catharine	50	25
Rau, Emanuel	30	
Raymond, Cora E.	10	
Reinecker, Louis	30	
Richards, George F.	20	
Ricker, Elizabeth Shay	25	
Robinson, Edward	10	
Rothschild & Co.	170	
Rowen, R. W.	25	
Salisbury, John R.		60
Schaller, Peter J.	20	
Shane, Seymour	100	
Sheehan, Lillie	20	
Sinai, Alexander	125	100
Sinai, Ray Miss		60
Shorter, Fred J.	10	
Smith, Dr. Angie G.		20
Smith, William T.	25	
Spiro, Philip	25	
Stein, Ignatz	175	
Steinberg, Wm. R.	150	
Stenhouse, Bessie C.	8	
Stenhouse, Evangeline	9	
Stoneman, Ernest		50
Strebbell, Irene		20
Sullivan, Dennis	40	
Test, Wm. H.	10	
Trainor, Rose A.	100	
Volkens, William J.	20	
Watson, Alice C.	5	
Westerlund, Gustaf A.		50
Williams, C. E.	25	
Williams, Katherine I.	50	
Wiseman, Evelyn H.	15	

	<u>Common</u>	<u>Preferred</u>
yavitts, Jacob M.		10
Young, Aloysius L.	<u>10</u>	<u>1620</u>
Total number of Shares represented by proxies, held by Mr. Berndt -----	4480	6,100

-:-

Mr. Herbert N. McCoy holding proxy
for: _____

Wells, Francis R.	2000	
Total -----		2,000

-:-

Mr. W. W. Buchanan holding proxies
for the following: _____

Block, Maloney & Co.	595	
Stein, Alstrin Co.	<u>1890</u>	
	2485	
Total -----		2,485

-:-

Total present by Proxy ----- 74,722 Shares.

	<u>Common</u>	<u>Preferred</u>
Total Present In Person -----	1540	650
Total Present By Proxy -----	<u>36309</u>	<u>38403</u>
	37849	39053
Total Present In Person and By Proxy -----		76,902

The President thereupon stated that there was present in person or represented by proxy at the meeting a total of 37,849 shares of Common and 39,053 shares of Preferred, making a grand total of 76,902 shares of the total of 100,000 shares outstanding, and that as considerably more than two-thirds of the total stock of the Company was represented at the meeting, it would now be in order to take up any business coming before the meeting.

Thereupon, on motion duly made and unanimously carried, it was voted to dispense with the reading of the minutes and said minutes were approved without reading.

Thereupon, the President of the Company presented a report covering the operations of the Company during the year 1919, which report on a vote duly had and taken was unanimously accepted, approved and ordered spread upon the records of this meeting. The president also presented to the meeting a statement showing the comparative assets and liabilities of the Company on December 31, 1918 and December 31, 1919. These two reports are in the words and figures following, to wit:

	18th Annual Statement Ending Dec. 31-1919.	17th Annual Statement Ending Dec. 31-1918.
ASSETS:		
BUILDING AND REAL ESTATE -----	\$144,016.00	\$143,966.00
MERCHANDISE -----	353,148.86	348,772.52
MACHINERY AND FIXTURES -----	43,002.72	32,521.06
ACCOUNTS RECEIVABLE -----	159,139.63	289,657.11
GOOD WILL, TRADE MARKS & PATENTS ----	600,000.00	600,000.00
U. S. LIBERTY BONDS, 4-1/4% -----	0.00	287,500.00
ACCEPTANCES -----	0.00	3,456.00
CASH -----	71,852.65	32,842.14
	<u>\$1,371,159.86</u>	<u>\$1,738,714.93</u>
LIABILITIES:		
CAPITAL STOCK:		
7% CUMULATIVE PREFERRED -----	400,000.00	400,000.00
COMMON -----	600,000.00	600,000.00
ACCOUNTS PAYABLE -----	52,507.63	77,249.57
NOTES PAYABLE, BANK -----	0.00	100,000.00
RESERVED FOR FEDERAL TAXES 1918 ----	14,711.36	77,480.88
RESERVED FOR FEDERAL TAXES 1919 ----	7,500.00	
SURPLUS -----	296,440.87	483,984.38
	<u>\$1,371,159.86</u>	<u>\$1,738,714.93</u>

OTTO N. BERNDT,
TREASURER.

After reading the above statement, the President's report continued as follows:

"The resignation of Mr. Gilman as President and Director and Mr. Baxter as Secretary and Director effective December 31, 1919 made it necessary to call a special meeting of the majority of your Directors January 2, 1920 and at this meeting, Mr. Charles R. Lindsay, Jr. was elected Director, Mr. Otto N. Berndt, elected Director and Secretary-Treasurer, Mr. Jos. M. Sherburne was elected President having resigned as Vice-President and Treasurer and Mr. H. N. McCoy was elected Vice-President.

We have charged off our books as of December 31, 1919, the following accounts.

A/C Merchandise -----	\$68,013.57
A/C Loss in Sale of Liberty Bonds -----	27,570.00
A/C Polish -----	42,453.85
A/C Dye Plant -----	28,033.79
Total -----	<u>\$166,071.21</u>

The surplus account of December 31st, 1918 of \$483,984.38 has been decreased to \$296,440.87. This decrease of \$187,543.51 is accounted for as follows:

Paid in Common Dividends -----	\$70,000.00
Paid in Preferred Dividends -----	30,333.33
Charged Off -----	166,071.21
Reserved for 1919 Taxes -----	7,500.00
Leaves -----	<u>273,904.54</u>
Deduct Decrease in Surplus -----	<u>187,543.51</u>
Leaves -----	86,361.03
Deduct Credit Received from London SAND -----	<u>56,219.45</u>
Leaves - Earned from Operations -----	<u>\$30,141.58</u>

This amount was earned in the business during 1919 but cannot be applied to surplus because of the foregoing deductions.

The amount charged off of merchandise is principally on account of Monazite Sand and is the difference between the cost of this material during the war and its replacement at present prices December 31st, 1919.

We sold in December \$350,000.00 worth of Liberty Bonds at market for \$27,570.00 less than their cost.

The polish department was started last Spring and during the first few months a very considerable amount of business was obtained which seemed to indicate a possibility worth while and one which would fit into our general business and help reduce our selling cost. The future policy of this department must be determined by your Directors. "LINDSAY LIGHT POLISH" is of unquestionable merit.

We started to equip the Dye Plant in May. Up to September 1st nothing was produced by the man that we had in charge as he was therefore released. On September 1st this department was put into the hands of our Doctor McCoy and our Chemists who zealously went to work and by November began to produce METHYLENE BLUE in very small quantities but of most excellent quality. These quantities have been increased until it has now reached about one-half of what we hope to have within the next few months, if the additions necessary to accomplish this are approved by your Directors.

I believe that this can be made a desirable part of our general business and slowly enlarged to considerable volume, especially as it seems to be quite clearly a plan of our Government to protect the dye industry as a part of the policy of National Defense.

The monazite refinery produced in 1919 - 90,065 pounds of Thorium Nitrate against the production in twelve months ending December 31st, 1918 of 131,605 pounds. Thorium sold in 1919 at about 40% less than in 1918.

It now appears likely that a considerable portion, if not all, of our foreign market will be lost due to the restrictions to be imposed by producers of monazite sand who can, and likely will, control the refiners and allocate the countries in which such refiners may sell their production. We will undoubtedly be confined to sales in U.S.A. with the possibility of this business being divided between ourselves and other manufacturers, and while we at this time furnish the larger percentage of American mantle manufacturers with Thorium Nitrate, and expect to continue to do so, there is a possibility that the German refiners may not be controlled by the producers and therefore may become a factor in the American market until it is possible for Congress to take some action in the way of protection either by tariff or by licenses and as a part of the problem of National Defense. This has already been taken up with the proper authorities in Washington with that end in view.

Fortunately, some of the equipment formerly devoted to the manufacture of Thorium Nitrate and no longer necessary on account of reduced production, is now being utilized in our refinery in the manufacture of other materials. These show a steady increase in volume at a small profit. Such production is small but much larger than it was the year before and is continuously growing and it is believed that it can be maintained and still increased further, and thus in a small way contribute to the general profits of this business.

The gas mantle business shows a decrease in production of 22%, which is accounted for by our inability to obtain usual quantities of supplies and by the shortage of labor. We now have on unfilled orders, 1,760,080 mantles at better average prices, and are now running about sixty percent of our capacity. There is a considerable shortage in the production of gas mantles and much higher prices are prevailing than last year.

You have received notice that at this meeting you will be called upon to decide as to the advisability of increasing the number of Directors from five to seven, and if favorably voted upon at this meeting, will result in the addition of men whom it is felt will be of considerable value to the management during this year.

I cannot make any predictions for 1920, as conditions generally are very much unsettled; labor such as we require is difficult to obtain at the price we can afford to pay; material costs are today as high and in many cases considerably higher than during the war."

-:-

The President thereupon stated that the next thing in order would be to consider the question of increasing the number of Directors from five to seven. The matter was thereupon discussed by the Stockholders, after which the following resolution was unanimously adopted, the entire 76,902 shares voting in favor of the adoption of said resolution, viz:

RESOLVED, that the number of Directors of the Lindsay Light Company be and the same is hereby increased from five (5) to seven (7).

The Chairman thereupon announced that the foregoing resolution, having received the votes of 76,902 shares, had been duly and regularly adopted.

The Chairman thereupon announced that the next thing in order would be the election of seven Directors for the ensuing year, and suggested that five of these Directors be elected to take the place of the five Directors whose terms expired this year, and that two additional Directors be elected to fill the two additional places created by the proposed increase in the number of Directors.

Thereupon, on motion duly made by Mr. Chas. R. Lindsay, Jr., seconded by Mr. Alexander Sinai and unanimously adopted, the following persons were elected Directors of the Company for the ensuing year:

Mr. Jos. M. Sherburne
Mr. Herbert N. McCoy
Mr. Otto N. Berndt
Mr. H. C. Beste
Mr. Robert E. Wilsey

Thereupon, on motion duly made by Mr. Herbert N. McCoy, seconded by Mr. H. C. Beste and unanimously adopted, the following persons were elected Directors of the Company to serve during the ensuing fiscal year to fill the two additional places created by the increase in the number of Directors.

Mr. Chas. R. Lindsay, Jr.
Mr. Alexander Sinai.

There being no further business before the meeting, the same on motion duly made and carried was declared adjourned.

Otto N. Berndt
SECRETARY.

Minutes of the regular meeting of the Board of Directors of the Lindsay Light Company, held at the office of said Company, #161 East Grand Avenue, Chicago, Illinois, on Tuesday, October 19th, 1920 at the hour of four o'clock P. M., pursuant to notice.

-:-

The meeting was called to order by Mr. Jos. M. Sherburne, the President of the Company, who acted as Chairman of the meeting, and the Secretary of the Company, Mr. Otto N. Berndt, acted as Secretary of the meeting.

There were present:

Mr. Jos. M. Sherburne
Mr. Herbert N. McCoy
Mr. Otto N. Berndt
Mr. Harry C. Beste

Same being four of the seven Directors of Lindsay Light Company.

The Chairman presented to the Board the regular quarterly report, which as per the usual custom, was ordered to be mailed to each and every stockholder. The report as read was unanimously accepted and is as follows:

THIRD QUARTERLY STATEMENT ENDING SEPTEMBER 30-1920

	<u>SEPT. 30-1920</u>	<u>SEPT. 30-1919</u>
<u>ASSETS:</u>		
BUILDING & REAL ESTATE -----	\$144,016.00	144,016.00
MERCHANDISE -----	376,990.46	481,033.41
MACHINERY AND FIXTURES -----	48,986.92	32,601.75
ACCOUNTS RECEIVABLE -----	239,922.54	215,382.80
GOOD WILL, TRADE MARKS & PATENTS ---	600,000.00	600,000.00
BONDS AND STOCK -----	48,690.59	351,000.00
CASH -----	14,536.74	4,943.21
	<u>1,473,143.25</u>	<u>1,828,977.17</u>
<u>LIABILITIES:</u>		
CAPITAL STOCK:		
7% CUMULATIVE PREFERRED ---	400,000.00	400,000.00
COMMON STOCK -----	600,000.00	600,000.00
ACCOUNTS PAYABLE -----	48,884.60	29,002.09
NOTES PAYABLE (BANK) -----	0.00	300,000.00
RESERVED FOR TAXES -----	38,169.97	31,621.62
SURPLUS -----	386,088.68	468,353.46
	<u>1,473,143.25</u>	<u>1,828,977.17</u>

EARNINGS FOR THIRD QUARTER

NET EARNINGS FROM OPERATIONS -----	33,358.76	(D) 1,184.34
DIVIDEND PAID ON PREFERRED STOCK -	7,000.00	7,000.00
DIVIDEND PAID ON COMMON STOCK ----	12,000.00	0.00
RESERVED FOR TAXES -----	0.00	0.00
CARRIED TO SURPLUS -----	14,358.76	(X) 5,815.66
	33,358.76	(D) 1,184.34

(D) - DEFICIT
(X) - WITHDRAWN FROM
SURPLUS ACC'T.

OTTO N. BERNDT,
TREASURER.

Inasmuch as the Lindsay Light Company has never had a formal agreement with Doctor H. N. McCoy in regard to the purchase of Mesothorium Residues, and since this has been more or less a verbal understanding between the past officers of the Lindsay Light Co., it was suggested that the following contract be accepted:

1. The Lindsay Light Company agrees to recover mesothorium from the residues by a process substantially the same as they use at the present time, and to convert the mesothorium-bearing barium compound into the form of carbonate and to sell the said carbonate to Mr. H. N. McCoy at the price specified in Section 2.
2. The price of mesothorium residues shall be on the basis of \$8.00 per pot of 500 pounds of monazite sand of 8 to 9% thorium oxide content. If the sand refined contains less than 8% thorium oxide content, then the price of the residues shall be one dollar per pot less for each percent of thorium below 8%, and if the sand contains more than 9% of thorium the price shall be one dollar per pot more for each per cent of thorium above 9%. All bills shall become due and payable thirty days after date without any discount.
3. The Lindsay Light Company agrees to work up any secondary residues from the regular process of recovery of mesothorium referred to in Section 1 for the purpose of recovering residual mesothorium. It is agreed that this mesothorium is also to be sold to Mr. H. N. McCoy at a price equal to 100% above the actual cost of treating these residues.
4. This agreement shall be in force for a period of one year from date unless it is changed by mutual agreement of the parties concerned.

SIGNED:

HERBERT N. MCCOY.

ACCEPTED:

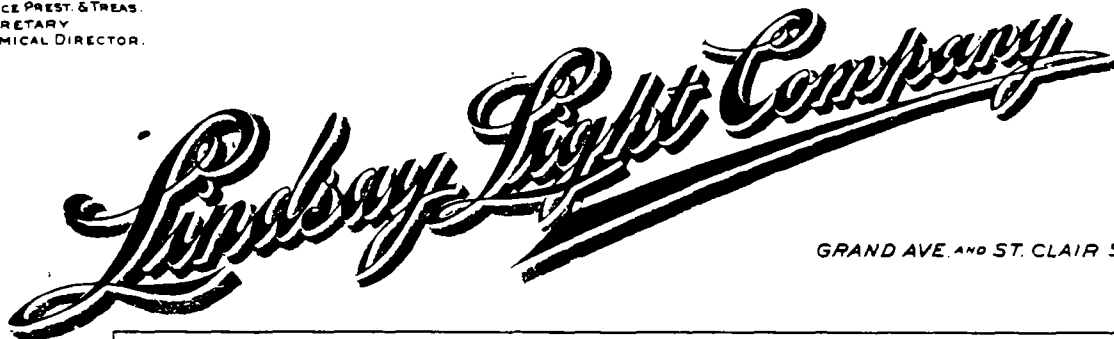
LINDSAY LIGHT COMPANY

JOS. M. SHERBURNE, PRESIDENT.

OCTOBER 19-1920.

ATTACHMENT NO. 3

GEO. P. GILMAN, PRESIDENT.
JOS. M. SHERBURNE, VICE PRES. & TREAS.
HOWE G. BAXTER, SECRETARY
HERBERT N. MCCOY, CHEMICAL DIRECTOR.



WE MANUFACTURE: THORIUM NITRATE, CERIUM NITRATE, CERIUM OXALATE, U.S.P. CERIUM CARBONATES, RARE EARTH HYDRATES, RARE EARTH FLUORIDES, DIDYMIUM NITRATE, BERYLLIUM NITRATE, TITANIUM POTASSIUM OXALATE, RARE EARTH IN ALL FORMS, INCANDESCENT GAS MANTLES **LINDSAY LIGHT POLISH** FOR METAL AND GLASS. LEAVES A LASTING LUSTRE

Chicago November 3rd, 1919

Stockholders of Lindsay Light Company:

At a regular meeting of the Board of Directors of this Company, held this day, your Directors decided that under the circumstances it is best to pass the Preferred and the Common Dividends which would naturally be declared at this time.

As the dividends upon the Preferred Stock are cumulative, this means that accruing dividends on the Preferred Stock must be paid before any dividends can be paid upon the Common Stock of this Company.

A statement showing the condition of this Company for the first nine months of this year is herewith attached.

Our manufacturing business is divided into four parts, namely: INCANDESCENT GAS MANTLES, RARE EARTH CHEMICALS, LINDSAY LIGHT POLISH AND DYES.

INCANDESCENT GAS MANTLES

We have on our books orders in excess of three million mantles—an unusual condition at this time of the year, and sufficient to keep our plant going for four months. Much of this business was taken in early summer. There have been three advances in our prices since that date. We have been unable to obtain more than seventy-five percent of the female labor necessary to manufacture such goods and only such at wages of about one hundred per cent increase as compared to 1918. Raw material entering into the making of gas mantles has again advanced considerably and thus limited the profits in that business to a minimum. This condition we hope to see changed after January 1st, as we are taking no orders at present except at prices prevailing at time of shipment.

RARE EARTH CHEMICALS

A year ago Thorium was selling at \$5.00 per pound. Today, due to competition, it is selling at \$3.75, in addition to which importations of German Thorium in this country have already arrived (at the same rate of import duty as in 1914 notwithstanding that we are still at war with Germany), which may make it necessary to further reduce prices to meet such competition. Other chemicals which we make in small quantities have shown an increase in production over the corresponding period of 1918 and at prices comparative with that period.

The first six months of 1919 were so unsettled that it was impossible to foresee many conditions which have since arisen. Your Directors have adopted the policy of conservatism in placing contracts, but they were not able to foresee that our very large foreign business in the sale of Thorium Nitrate to Great Britain would be completely stopped by embargo by the British Government. It was hinted that such a condition might arise, and therefore a considerable stock was placed in warehouse in London, all of which was sold on definite contracts to English manufacturers against reputable competition, we, however, having the option of accepting or passing such competition as our best judgment might indicate. In addition to this the value of the English pounds sterling depreciated to a considerable extent, so that it is quite unlikely that this stock in London will show much of a profit, if any, when finally disposed of.

In 1918 it was advisable that we obtain a considerable supply of raw material from India, and while the price of the material at the mines remained unchanged, the cost of ocean freight at that time was excessive. Consequently, our cost of certain raw material must, at the end of this year, be taken off of inventory value to put it at a price at which it can be replaced in the future. This will mean a further reduction in the earnings of this firm in 1919 of not far from \$50,000.00.

LINDSAY LIGHT POLISH

We have made and sold over two hundred tons of this material since February 1st. It has involved considerable expense in doing this in the way of national and local advertising and extra sales—consequently, considerable expense.

DYES

We have fully equipped a small building for the making of several dyes and are now operating in a small way.

It is believed that beginning in 1920 we can look forward to a satisfactory business, producing satisfactory earnings, but during this re-adjustment we must meet the conditions as we find them for the best interest of the stockholder and this we have tried to do by taking the foregoing action and giving to you the foregoing information.

Yours very truly,

LINDSAY LIGHT COMPANY

ATTACHMENT NO. 4

The regular meeting of BOARD OF DIRECTORS held in the office of Lindsay Light Company, 161 East Grand Avenue, Chicago, Illinois, September 8th, 1914, four P. M.

There were present:

Chas. R. Lindsay, Jr.
George P. Gilman,
Jos. M. Sherburne

Same being a majority of the directors of Lindsay Light Company.

Chas. R. Lindsay, Jr. in the chair.

The following resolution was adopted:

Resolved that Lindsay Light Company rent building #316 to #322 Illinois Street, Chicago, for manufacturing purposes necessary to this business for a period of five years and four months beginning from January 1st, 1915 to April 30th, 1920 at \$150.00 a month, this building to be rented from The Chicago & Canal Company as per their lease September 3rd, 1914.

There being no further business before the meeting, it was adjourned.


SECRETARY.





JOS. M. SHERBURNE, PRESIDENT.
HERBERT N. MCCOY, VICE PRES.
OTTO N. BERNOT, SECY & TREAS.

Lindsay Light Company

Chicago

September 9, 1922.

To the Stockholders of

Lindsay Light Company:

Enclosed herewith is a formal notice and blank proxy relative to the special meeting of our stockholders to be held on September 20th, 1922.

Your Directors feel that an explanation is proper at this time as to the reason why it is desired to increase our capital stock.

The real estate and buildings carried on our books at \$146,955.76, have recently been appraised and show a replacement value of over \$200,000.00. The Directors and the Officers of this Company have realized that this property which they now occupy is far too valuable for manufacturing gas mantles. The lease on the monazite refinery which we occupy on Illinois Street expires April 30th, 1923.

We all feel that the time has now arrived when arrangements should be made to get into a location where the entire operations of this business might be concentrated and operated with greater economy. It would seem to us unwise to go into new property with the investment that would be required if it were possible to take over a property engaged in this kind of business adapted to our needs.

Because of the above reasons we have concluded that our interests would be best served by completing negotiations which have been carried on for some time. This \$200,000.00 increase in Preferred Capital Stock of this Company is to be used toward acquiring the manufacturing property of the Block Gas Mantle Company of Youngstown, Ohio, if the deal, as now planned, can be consummated, which consists of approximately three acres of land, exceedingly well located for shipping facilities, etc. Of course, if for any reason the deal cannot be consummated as now planned, the capital stock will not be increased or the stock will not be issued at this time.

Your Officers and Directors have investigated the value of the property to be acquired very carefully and are of the opinion that it is reasonably worth considerably in excess of the par value of the Lindsay Preferred Stock to be issued in exchange therefor.

We believe it is an economic move of considerable value and will tend to increase the earnings and the value of the stock of the Lindsay Light Company.

For the reasons above stated your Directors and Officers believe this move an exceedingly wise one and we hope that you will send in your proxy at once.

Yours very truly,

JOS. M. SHERBURNE,
President.

Minutes of the Special Meeting of the Board of Directors of the Lindsay Light Company held in lieu of the February regular meeting on March 9, 1923, at the Old Colony Club at the hour of 1:00 p.m.

The meeting was called to order by Mr. Jos. M. Sherburne, the President of the Company, who acted as Chairman of the meeting, and the Secretary of the Company, Mr. Otto N. Berndt, acted as Secretary of the meeting.

Five of the Directors were present, namely;-

Mr. Jos. M. Sherburne
Mr. H. N. McCoy
Mr. O. N. Berndt
Mr. R. E. Wilsey
Mr. H. C. Beste

Same being five Directors of the Lindsay Light Company, thereby constituting a quorum.

The first order of business was the taking up of the renewal of leases. Upon motion duly made by H. N. McCoy, seconded by H. C. Beste, and unanimously approved, it was decided to renew our lease for our chemical plant at 316 E. Illinois St., for the same terms and conditions at the same rental for another year, which will make our term of occupancy expire April 30, 1924.

Thereupon motion duly made by Mr. R. E. Wilsey, seconded by H. N. McCoy, and unanimously approved, it was decided to renew the lease of our New York office at 91 Chambers Street, for a period of one year at a rental of \$3500 per year. It was pointed out by the President that inasmuch as the New York office had sub-leased a loft at an annual rental of \$900 and as the rental mentioned above showed a saving of \$500 over the previous rental, the total net saving to the New York Department amounts to \$1400, making the net cost for rental of our New York office \$2600 annually.

Thereupon ensued a discussion upon the Thorium contracts which Mr. Sherburne has been negotiating with The Coleman Lamp Company, of Wicks, and The Block Gas Mantle Company, of Youngstown. It was regularly moved by Mr. R. E. Wilsey, seconded by H. C. Beste, and unanimously approved by all present, that the contracts as tentatively made by Mr. Sherburne were fully approved and authorized.

Mr. Sherburne thereupon brought up the subject matter of the Monazite Sand contracts with the Travancore Minerals Company, London, and after a very thorough comprehensive discussion of same, it was deemed advisable to postpone any definite decision on this subject matter until the regular March meeting of the Board of Directors.

Thereupon, Mr. Sherburne read the following proposal from Mr. C. R. Lindsay to purchase our building at 161 E. Grand Ave.:

"I will buy the building and real estate located at 161 E. Grand Ave., Chicago, owned by Lindsay Light Company for \$275,000.00, payable in Lindsay Light 7% preferred stock at par, and if the Company desires to lease same from me, will make a one, three, or five year lease at \$15,000 per year, they to assume all taxes, insurance, and repairs to building. If this is favorable to the Directors and legal, it can be acted on at once, but if lawyers think it should be submitted to a vote of the stockholders, it would be satisfactory to me."

After a thorough discussion of the matter, it was suggested that no decision be reached until the regular March meeting.

Thereupon motion duly made by Mr. R. E. Wilsey, seconded by H. N. McCoy, and unanimously approved, it was decided to withdraw our building at 161 E. Grand Ave., from sale. The officers were likewise authorized to vacate any floor and make diligent effort to rent same under the most favorable rental prices obtainable, if the manufacturing operations could be so arranged.

Otto N. Berner
SECRETARY.

We, the undersigned, being Directors of the Lindsay Light Company, and having been present at the meeting of said Directors held on March 9, 1923, hereby certify that the foregoing record thereof is a true record and that we consent thereto.

John H. Sherburne

Otto N. Berner

H. N. McCoy

A. C. Bush

We concur in the foregoing and ratify and approve the said records and the proceedings described therein.

MARCH MEETING

MINUTES OF THE REGULAR MEETING OF THE BOARD
OF DIRECTORS OF THE LINDSAY LIGHT COMPANY
HELD AT THE OFFICE OF SAID COMPANY, 161 EAST
GRAND AVENUE, CHICAGO, ILLINOIS, ON TUES-
DAY, MARCH 18, 1924, AT THE HOUR OF 3 P. M.

Mr. Jos. M. Sherburne, President of the Company,
presided over the Meeting, and the Secretary of the Company,
Mr. Otto N. Berndt, acted as Secretary of the Meeting.

The following five Directors were present, viz:

Chas. R. Lindsay, Jr.
Jos. M. Sherburne
H. N. McCoy
Otto N. Berndt
Harry C. Beste

Same being five Directors of the Lindsay Light Com-
pany, thereby constituting a quorum.

As the first order of business, Mr. Sherburne re-
ported that we had paid all of our loans with the Central
Trust Company of Illinois and had taken out with the First
National Bank of Chicago, \$100,000.00 on demand notes and
\$50,000.00 on two four-month time notes. The Central Trust
Company returned Mr. Lindsay's personal guarantee on March
18, 1924, thereby relieving him from further financial re-
sponsibility.

Mr. Sherburne, thereupon, reported that we had made
payment to the Travancore Minerals Company on account of
penalty on Sand Contract. The first installment of one hun-
dred tons on the new Sand Contract has been shipped and is
now enroute.

It was likewise reported that a two-year lease on
the Monazite Plant, at the same rate, had been signed by the
officers.

Thereupon ensued a general discussion regarding
our future policy with reference to the sale of all electrical
fixtures.

There being no further business before the meeting,
the same, on motion duly made and carried, was declared ad-
journed.

Otto N. Berndt

SECRETARY

We, the undersigned, being Directors of the Lindsay Light Company, and having been present at the meeting of said Directors held on March 18th, 1924, hereby certify that the foregoing record thereof is a true record and that we consent thereto.

Wm. Terhune
Herbert H. McCoy
Otto M. Bagnall
Chas. Lindsay

We concur in the foregoing and
ratify and approve the said
records and the proceedings de-
scribed therein.

NOVEMBER MEETING

MINUTES OF THE REGULAR MEETING OF THE BOARD
OF DIRECTORS OF LINDSAY LIGHT COMPANY, DULY
CALLED AND HELD IN ITS OFFICE, 161 E. GRAND
AVENUE, CHICAGO, ILLINOIS, ON TUESDAY
NOVEMBER THE 24TH, 1925, AT THE HOUR OF 3 P.M.

There were five Directors present, viz:

C. R. Lindsay, Jr.
J. M. Sherburne
H. N. McCoy
H. C. Beste
C. R. Lindsay III

Same being five of the Directors of the Lindsay
Light Company, thereby constituting a quorum.

Mr. C. R. Lindsay, Jr. acted as Chairman and
Mr. C. R. Lindsay III as Secretary of the meeting.

Minutes of the September meeting were approved.

As the first order of business, Mr. C. R. Lindsay, Jr. brought up the name of Mr. Frederick J. Clifford to serve as a Director to fill the unexpired term of the late Otto N. Berndt. Mr. Sherburne nominated Mr. Clifford for this position and Mr. McCoy seconded this. Mr. Clifford was then unanimously elected by the Directors and the Secretary was instructed to notify him accordingly of this action.

The Chairman then proceeded to read a report to the meeting of his work, since August the 1st, while in charge of the Company's affairs. This reads as follows:

November 24, 1925

- TO THE DIRECTORS OF LINDSAY LIGHT CO. -

Our regular October Meeting was omitted, as I was in New York at the time, but I sent each of you a statement showing our net worth as of September 30, 1925 to be \$334,788.34, after charging off for depreciation, bad debts, etc. \$77,532.18. For that Quarter our operating loss was \$6,039.89, which compares with \$16,778.58 for the corresponding quarter last year. Both of these losses are figured before depreciation, etc.

On my arrival in Chicago, July 26, I found instead of our business showing improvement, it showed an increase in losses; that our Second Quarter showed a loss of \$20,978.58 before deducting for depreciation, etc. This was the worst loss in any quarter we have had for years, so I decided to remain in Chicago and was put in charge of the business by the Directors at the July 28 meeting, until the annual meeting, January 1926, at which time the Directors for 1926 will be elected by the stockholders, and the Directors will then, in turn, elect the Officers.

During these four months radical changes have been made, overhead being reduced over \$60,000.00 annually, prices advanced on merchandise which showed little or no profit, residential electric line, of which we had an enormous stock, and which was and is one of the main causes for our losses, (thousands of dollars of which have been returned to us in the past few months and thousands of dollars worth of which we have disposed of at less than \$0.25 on the dollar) is being cut down to a small line of profitable merchandise most of which we shall manufacture ourselves, our New York Department has been turned into an office in place of an expensive branch, and when our present lease expires April 30, we will move into less expensive quarters.

Bankruptcy surely would have followed if these radical changes had not been made, and today I am pleased to report we owe the bank \$45,000.00 compared to \$90,000.00 last July and have a fair deposit in the bank instead of a continued overdraft as then.

Our gas mantle business is comparatively good, manufacturing and selling about thirteen thousand (13,000) per day, which is about the same amount compared with the same period last year.

We have very little electric business direct with dealers and Public Service Corporations, but our business with Western Electric Company shows an increase, for the first ten months of this year, of 60%, compared with the same period last year and would show higher were it not for the residential electric fixtures which we were obliged to take back.

In chemicals we were fortunate in closing a contract with National Carbon Company for a by-product from our Monazite Sand, delivery to start March 1, 1926 at a 23% higher price. This will enable us to keep our Refinery going from now on at 100% increase in capacity for a year and a half. I, therefore, renewed our lease on the Illinois Street property for one year to May 1, 1927.

Our gross business during the past four months shows but 10% increase for the corresponding four months last year, and 40% of our total business is through Western Electric Company. The reasons our gross business has not proved more are that last year we sold more Thorium and considerably more in sundries, but what we are doing today is with seven less salesmen. We have at present but five men selling. While our business with Western Electric Company is not so large as we had been led to expect, still, it shows a good continued increase.

I believe we are now making money for the first time in years and that this, our last quarter, will show a profit after charging off depreciation, etc., unless we reduce our inventory on the present stock of Thorium from \$2.50 per pound old cost to about \$2.02 per pound present cost, which is on account of making double the quantity of the Rare Earths, which we supply National Carbon Company; but even at the new cost of \$2.02 we figure the entire cost of the sand into the Thorium. If we make this depreciation of \$0.48 per pound, it will amount to about \$11,000.00. I recommend that this be done.

I have nothing of further importance to bring up at this meeting, so if there are any questions or suggestions

to offer, I would be pleased to hear them. I might add that we will, in a short time, have to get out our proxies for the annual meeting and decide amongst ourselves as to the Directors and Officers for next year, so it is up to you as to whether it should be done at this meeting or regular December Meeting.


Chairman - Board of Directors

This report as submitted was given the full approval of the Directors.

The Chairman then suggested the advisability of cutting down the inventory value of Thorium in stock from \$2.50 per pound to \$2.02 per pound, based upon new cost of production data recently obtained. This cut he suggested as being effective in the next inventory of December 31st. Mr. Sherburne accordingly made the motion to lower inventory price of Thorium to present revised cost, figured on basis of 250% overhead, with the understanding that the actual figure would be definitely decided upon at the next meeting. Mr. Beste seconded this motion and was passed unanimously.

The Chairman then announced that he had received information that the Company would be able to secure about \$4,000.00 refund from the Government on 1918 taxes. He further stated that under a new court ruling, the Company might recover 1919 and 1920 tax refunds in addition. This ruling was to the effect "that invested capital cannot be reduced by taxes paid in previous years".

The Chairman then explained to the Directors that due to the recent failure of Gaites, Peace Company, Lindsay Light Company had definitely made arrangements to manufacture certain staple residential fixtures. He believed that by so doing, cost could be reduced very materially.

The Chairman brought up again the suggestion that the Company buy in on the open market a certain amount of its Preferred Stock. It was decided to defer decision on this until a later meeting.

There being no further business, the meeting was adjourned.

Chas. R. Lindsay
SECRETARY.

We, the undersigned, being Directors of the Lindsay Light Company, and having been present at the meeting of said Directors held on November 24th, 1925, hereby certify that the foregoing record hereof is a true record and we consent thereto.

Charles Lindsay

John M. Herdman

Chas. R. Lindsay

We concur in the foregoing and ratify and approve the said records and the proceedings described therein.

JULY 1929 MEETING

MINUTES OF THE REGULAR MEETING OF THE BOARD OF
DIRECTORS OF LINDSAY LIGHT COMPANY, DULY
CALLED AND HELD IN ITS OFFICE, 161 EAST GRAND
AVENUE, CHICAGO, ILLINOIS, ON TUESDAY, JULY
THE 18TH, 1929, AT THE HOUR OF 3 P. M.

The meeting was called to order by Mr. Chas. R. Lindsay, Jr., who acted as Chairman of the meeting, and Mr. Chas. R. Lindsay, III, acted as Secretary of the meeting.

Present:

Mr. M. W. Richelberger
Mr. C. W. Stabenau
Mr. R. L. Little
Mr. H. C. Beste
Mr. C. R. Lindsay, Jr.
Mr. C. R. Lindsay, III.

Same being six of the Directors of Lindsay Light Company, thereby constituting a quorum.

Minutes of the previous meeting were approved.

As the first order of business, the list of repairs to be made at the Chemical Refinery was checked over and Mr. Little reported that everything agreed upon at the previous meeting had been taken care of.

Mr. Lindsay, Jr., then advised the Directors that we were negotiating with the Welsbach Company with a view of exchanging Thorium Nitrate for Brazilian Monazite Sand and if the right basis of exchange could be agreed upon, we would use Brazilian Sand in the future instead of Indian Sand. He went on to say that the very fact that the Thorium content was lower in Brazilian Sand would be advantageous because at the same time the Rare Earth Oxide content was equal or possibly greater than contained in the Indian Sand.

Mr. Lindsay, Jr., submitted a statement for the six months ending June 29, 1929, showing net earnings after Federal Tax of \$38,443.72 against \$21,547.64 for the same period of 1928. The statement was discussed by the Directors and unanimously approved. Mr. Lindsay, Jr., went on to say that these earnings were particularly gratifying, considering the fact that we spent on repairs at the Chemical Refinery this year approximately thirteen thousand dollars as against six hundred dollars during the first six months of last year,

and that he did not anticipate that anywhere near this amount would have to be expended the last half of this year.

The question of securing a new lease for the Chemical Plant after the present one runs out which expires May 1931 was brought up by Mr. Lindsay, Jr., and thoroughly discussed by the Directors. It was finally moved by Mr. Beste, seconded by Mr. Stabenau, and unanimously passed that a new lease be secured not to exceed two years in duration.

On motion by Mr. Eichelberger, seconded by Mr. Beste, and passed unanimously, the Company was authorized to purchase Preferred Stock at \$10.00 per share. It was stipulated, however, that this authority could be rescinded at any time by the Directors.

There being no further business before the meeting, the same was declared adjourned.

Chas. R. Lindsay, Jr.
SECRETARY

We, the undersigned, being Directors of Lindsay Light Company and having been present at the meeting of said Directors held on July 18th, 1929, hereby certify that the foregoing record hereof is a true record and we consent thereto.

Chas. R. Lindsay

C. W. Starkman

Robert Little

Mark Weichelberger

Chas. R. Lindsay

I concur in the foregoing and ratify and approve the said records and the proceedings described therein.

ATTACHMENT NO. 5

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & Co SC

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 1992 AND 1991

TOGETHER WITH REPORT

OF INDEPENDENT PUBLIC ACCOUNTANTS

ARTHUR ANDERSEN & CO.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Kerr-McGee Corporation:

We have audited the accompanying consolidated balance sheet of KERR-MCGEE CHEMICAL CORPORATION (a Delaware corporation and a wholly owned subsidiary of Kerr-McGee Corporation) and subsidiary companies as of December 31, 1992 and 1991, and the related consolidated statements of income and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kerr-McGee Chemical Corporation and subsidiary companies as of December 31, 1992 and 1991, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 2 to the financial statements, effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Prior years' financial statements have not been restated.

Arthur Andersen & Co.

Oklahoma City, Oklahoma,
March 15, 1993

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1992 AND 1991
(In Thousands of Dollars)

	<u>1992</u>	<u>1991</u>		<u>1992</u>	<u>1991</u>
<u>ASSETS</u>			<u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 13,537	\$ 16,073	Notes payable to an affiliate	\$ 11,500	\$ -
Notes and accounts receivable	35,330	67,098	Accounts payable	44,841	40,010
Accounts receivable sold to parent company	69,441	-	Payable to parent company for income taxes	-	3,478
Advances to parent company	38,728	390,161	Long-term debt due within one year	-	8,231
Receivable from parent company for income taxes	366	-	Accrued liabilities	<u>13,190</u>	<u>11,967</u>
Inventories	154,856	148,631	Total Current Liabilities	<u>69,531</u>	<u>63,686</u>
Deposits and prepaid expenses	<u>14,276</u>	<u>9,424</u>			
Total Current Assets	<u>326,534</u>	<u>631,387</u>	LONG-TERM DEBT	<u>91,200</u>	<u>105,757</u>
INVESTMENTS AND OTHER ASSETS	<u>37,457</u>	<u>29,060</u>	DEFERRED CREDITS AND RESERVES		
			Income taxes	28,393	35,399
			Other	<u>6,615</u>	<u>11,006</u>
				<u>35,008</u>	<u>46,405</u>
PROPERTY, PLANT, AND EQUIPMENT			STOCKHOLDER'S EQUITY		
Land and timberlands	7,710	7,089	Common stock - \$746 stated value - 100,000		
Development costs	16,561	14,237	shares authorized and issued	74,643	74,643
Plant and mining facilities	631,084	640,763	Capital in excess of stated value	163,832	163,832
Other	<u>71,692</u>	<u>75,563</u>	Retained earnings	<u>356,444</u>	<u>682,460</u>
	727,047	737,652			
Less - Reserve for depreciation, depletion, and amortization	<u>317,288</u>	<u>283,802</u>	Total Stockholder's Equity	<u>594,919</u>	<u>920,935</u>
	<u>409,759</u>	<u>453,850</u>			
DEFERRED CHARGES	<u>16,908</u>	<u>22,486</u>			
	<u>\$790,658</u>	<u>\$1,136,783</u>		<u>\$790,658</u>	<u>\$1,136,783</u>

The accompanying notes are an integral part of this balance sheet.

KERR-McGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1992 AND 1991
(In Thousands of Dollars)

	<u>1992</u>	<u>1991</u>
SALES AND SERVICES	<u>\$514,721</u>	<u>\$453,813</u>
COSTS AND EXPENSES		
Costs and operating expenses	347,384	268,423
Selling, general, and administrative expenses	30,860	32,148
Depreciation, depletion, and amortization	49,016	45,732
Exploration expenses	361	557
Taxes, other than income taxes	<u>8,283</u>	<u>8,180</u>
Total Costs and Expenses	<u>435,904</u>	<u>355,040</u>
	78,817	98,773
OTHER INCOME	<u>22,942</u>	<u>57,470</u>
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT ON PRIOR YEARS OF CHANGES IN ACCOUNTING PRINCIPLES	101,759	156,243
PROVISION FOR INCOME TAXES	<u>38,142</u>	<u>60,818</u>
INCOME BEFORE CUMULATIVE EFFECT ON PRIOR YEARS OF CHANGES IN ACCOUNTING PRINCIPLES	63,617	95,425
CUMULATIVE EFFECT ON PRIOR YEARS OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAXES	<u>367</u>	<u>-</u>
NET INCOME	<u>\$ 63,984</u>	<u>\$ 95,425</u>

The accompanying notes are an integral part of this statement.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1992 AND 1991

(In Thousands of Dollars)

	<u>1992</u>	<u>1991</u>
OPERATING ACTIVITIES		
Net Income	\$ 63,984	\$ 95,425
Adjustments to reconcile to net cash provided by operating activities -		
Depreciation, depletion, and amortization	49,016	45,732
Deferred income taxes	(12,587)	7,651
Cumulative effect on prior years of changes in accounting principles	(367)	-
Noncash items affecting net income	<u>(542)</u>	<u>(1,635)</u>
Net income plus net noncash operating items	99,504	147,173
Gain on sale of assets	(4,061)	(24,148)
Changes in assets and liabilities -		
(Increase) decrease in accounts receivable	(31,364)	16,277
Increase in inventories	(2,489)	(38,403)
Increase in deposits and prepaids	(415)	(7,062)
Increase (decrease) in accounts payable and accrued liabilities	3,024	(7,261)
Increase (decrease) in taxes payable	4,441	(46,727)
Other	<u>3,073</u>	<u>(7,848)</u>
Net cash provided by operating activities	<u>71,713</u>	<u>32,001</u>
INVESTING ACTIVITIES		
Capital expenditures	(33,169)	(88,790)
Proceeds from sale of assets	4,267	25,293
Proceeds from contract settlement	35,400	-
Advances from parent company	(60,611)	44,652
Issuance of notes receivable	(4,814)	(3,554)
Collection of notes receivable	4,522	4,449
Other investments	<u>(559)</u>	<u>(15,288)</u>
Net cash used in investing activities	<u>(54,964)</u>	<u>(33,238)</u>
FINANCING ACTIVITIES		
Advances from affiliate	104,700	-
Repayments of advances from affiliate	(2,000)	-
Proceeds from issuance of debt	3,012	1,359
Repayment of debt	<u>(124,997)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(19,285)</u>	<u>1,359</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,536)	122
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>16,073</u>	<u>15,951</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,537</u>	<u>\$ 16,073</u>

The accompanying notes are an integral part of this statement.

KERR-MCGEE CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Kerr-McGee Chemical Corporation (the company) is a wholly owned subsidiary of Kerr-McGee Corporation (the parent). The accompanying consolidated financial statements include the accounts of subsidiary companies of Kerr-McGee Chemical Corporation that are more than 50% owned and the proportionate share of joint ventures in which the company has an undivided interest. Investments in affiliated companies that are 20% to 50% owned are carried as Investments and Other Assets in the Consolidated Balance Sheet at cost adjusted for equity in undistributed earnings. Except for dividends, changes in equity in undistributed earnings are included in the Consolidated Statement of Income. All material intercompany transactions among the company and its subsidiaries have been eliminated.

Translation of Foreign Currencies

As the U.S. dollar has been adopted as the functional currency for the company's international operations, foreign currency translation gains or losses are recognized in the period incurred. Total foreign currency translation gains and losses are immaterial.

Cash Equivalents

The company considers all investments purchased with a maturity of three months or less to be cash equivalents. Cash includes time deposits totaling \$6,846,000 in 1992 and \$11,266,000 in 1991.

Inventories

Inventories are valued at the lower of cost or market. The cost of product inventories is determined by the first-in, first-out method, and materials and supplies are valued at average cost. Inventory carrying values include material costs, labor, and indirect manufacturing expenses associated therewith.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less reserves for depreciation, depletion, and amortization. Maintenance and repairs are expensed as incurred, except that costs of replacements or renewals that improve or extend the lives of existing properties are capitalized. Property, plant, and equipment is depreciated, depleted, or amortized over its estimated life by application of the straight-line method. The cost and related depreciation, depletion, and amortization reserves are removed from

the respective accounts upon retirement or sale of property, plant, and equipment. During 1992 and 1991, the company sold timberlands resulting in gains of \$3,971,000 and \$24,100,000, respectively, which are included in Other Income in the Consolidated Statement of Income.

Interest Capitalized

The company capitalizes interest costs on major projects that require a considerable length of time to complete. Interest capitalized was \$478,000 and \$6,440,000 in 1992 and 1991, respectively.

Futures Contracts

The company periodically enters into futures contracts for foreign currencies to hedge specific foreign currency transactions. Gains or losses on foreign currency futures contracts are deferred and recognized as part of the transactions hedged. At December 31, 1992, the company had foreign currency contracts to purchase Australian \$16,000,000 for U.S. \$9,618,000 maturing at various dates through June 30, 1993. The company also had contracts to sell for U.S. \$7,297,000 various currencies, principally European which mature at various dates during 1993. Based on financial institutions' quotes, the net aggregate replacement cost of these contracts at December 31, 1992, totaled U.S. \$3,994,000. At December 31, 1991, the company had contracts to purchase Australian \$47,000,000 for U.S. \$28,999,000 maturing at various dates through June 30, 1993.

Lease Commitments

The company utilizes various leased properties, primarily marketing facilities and railroad cars. Net lease rentals expensed were \$4,409,000 and \$4,159,000 in 1992 and 1991, respectively. The aggregate minimum annual rentals under noncancelable leases in effect on December 31, 1992, totaled \$9,417,000, of which \$1,733,000 is due in 1993, \$1,613,000 in 1994, \$3,479,000 in the period 1995 through 1997, and \$2,592,000 thereafter.

Environmental Costs

The company or the parent company provides for estimated future environmental expenditures based on current costs and regulations when it is determined that an environmental liability is probable and the associated costs can be reasonably estimated.

Income Taxes

Kerr-McGee Corporation and its subsidiaries, including the company, file a consolidated income tax return. The amount of income taxes is recorded by the company as directed by Kerr-McGee Corporation, but is generally calculated as though a separate consolidated tax return were filed by the company and its subsidiaries. However, the

company may receive certain deductions or benefits generated by the company that might not be available if the company were not part of a consolidated return. Effective January 1, 1992, deferred income taxes are provided to reflect the future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Prior years' deferred taxes were provided for all material items of income and expense recognized in different time periods for financial and income tax reporting purposes. See Note 2 for a discussion of the effects of the change in accounting for income taxes.

2. ACCOUNTING CHANGES

Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards (FAS) No. 109, "Accounting for Income Taxes," which requires an asset and liability approach in accounting for income taxes (see Note 11). The cumulative effect as of January 1, 1992, of the adoption of the statement resulted in a 1992 benefit of \$14,424,000 reflected in the Consolidated Statement of Income as the cumulative effect on prior years of changes in accounting principles. As the result of the change in accounting for income taxes, 1992 net income was increased by \$8,643,000 due to the recognition of income tax benefits for the losses of a foreign subsidiary. The company elected not to restate prior years' financial statements.

Also effective January 1, 1992, the company adopted the provisions of FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (see Note 15). This statement requires the accrual method of accounting for postretirement health care and life insurance benefits based on actuarially determined costs to be recognized over the period from the date of hire to the full eligibility date of employees who are expected to qualify for such benefits. The company was allocated a portion of the parent's accumulated postretirement benefit obligation, which represents the present value at January 1, 1992, of the estimated future benefits payable to current retirees and a pro rata portion of estimated benefits payable to active employees after retirement. The company's pre-tax charge to 1992 earnings was \$22,313,000. An after-tax charge of \$14,057,000 has been reflected in the Consolidated Statement of Income as the cumulative effect on prior years of changes in accounting principles. This change in accounting for postretirement health care and life insurance benefits did not result in a materially different operating expense charge.

3. TRANSACTIONS WITH AFFILIATES

The parent company provides certain services to its subsidiaries which are billed to each subsidiary based generally on usage. The total amount of such billings to the company for these services was approximately \$13,960,000 and \$14,113,000 in 1992 and 1991, respectively. These amounts are not necessarily the same as it might cost the company to obtain these services from outside parties.

Kerr-McGee Pigments Ltd., a wholly owned subsidiary of the company, entered into an agreement in 1992 with Kerr-McGee Limited, an affiliated company. In addition, during 1992, Kerr-McGee Limited advanced funds to KMCC Western Australia Pty. Ltd., another wholly owned subsidiary. See Note 10 for a discussion of these borrowings.

Other transactions with affiliates affecting operations were for interest and income taxes. The company recorded interest income, included as Other Income in the Consolidated Statement of Income, of \$26,140,000 and \$35,188,000 in 1992 and 1991, respectively, from its parent for interest on advances made to the parent. Interest is earned on these advances based on prime lending rates, which ranged from 6.5% to 6.0% during 1992 and from 9.5% to 6.5% during 1991. These advances do not include intercompany accounts receivable or payable related to income taxes or amounts attributable to the sale of trade accounts receivable to the parent. The parent sells such trade accounts receivable to its wholly owned finance subsidiary. These accounts bear no interest for the company.

4. CASH FLOW INFORMATION

Net cash provided by operating activities includes cash payments for income taxes of \$46,940,000 in 1992 and \$99,393,000 in 1991. The effect of foreign currency exchange rate fluctuations on cash was immaterial.

5. DIVIDEND TO PARENT COMPANY

On December 23, 1992, the Board of Directors of the company declared a dividend of \$390,000,000 to the parent. The dividend was made December 30, 1992, by a reduction of advances to the parent company. The effect of this dividend is not reflected in the 1992 Consolidated Statement of Cash Flows since it was a noncash transaction.

6. NOTES AND ACCOUNTS RECEIVABLE

Summarized below are notes and accounts receivable together with the related allowance for doubtful notes and accounts, at December 31, 1992 and 1991 (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
Notes receivable	\$ 8,347	\$ 2,592
Accounts receivable	<u>96,857</u>	<u>64,909</u>
	105,204	67,501
Less: Receivables sold to parent company	<u>69,441</u>	<u>-</u>
	35,763	67,501
Allowance for doubtful notes and accounts	<u>(433)</u>	<u>(403)</u>
Total	<u>\$ 35,330</u>	<u>\$67,098</u>

7. INVENTORIES

The major categories of inventories, mostly finished goods and materials and supplies, are as follows (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
Industrial chemicals	\$108,912	\$ 99,271
Forest products	<u>21,177</u>	<u>28,819</u>
	130,089	128,090
Materials and supplies	<u>24,767</u>	<u>20,541</u>
Total	<u>\$154,856</u>	<u>\$148,631</u>

8. INVESTMENTS AND OTHER ASSETS

Investments and other assets consist of the following at December 31, 1992 and 1991 (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
Net deferred tax asset	\$20,005	\$ -
Investment in and advances to equity affiliates	9,751	12,174
Long-term receivables	5,742	6,346
Other	<u>1,959</u>	<u>10,540</u>
Total	<u>\$37,457</u>	<u>\$29,060</u>

9. DEFERRED CHARGES

Deferred charges relate primarily to the deferral of preoperating and startup costs associated with new plants and facilities. These costs are generally amortized over the first five years of operations.

10. DEBT

Short-term debt, included as notes payable to an affiliate on the Consolidated Balance Sheet, consisted of borrowings between Kerr-McGee Pigments Ltd. (KMPL) and Kerr-McGee Limited (KM Ltd.). These borrowings can be up to \$25,000,000 with varying maturities less than one year and an interest rate of 90-day LIBOR + 7/8%. As of December 31, 1992, KMPL had outstanding debt with KM Ltd. of U.S. \$11,500,000. The average effective interest rate for the year ranged from 5.25% to 4.25%.

In May of 1992, KMCC Western Australia Pty. Ltd. (KMWA) retired debt of U.S. \$124,977,000 related to its ratable share of an Australian joint venture. During 1992, KM Ltd. began advancing funds to KMWA. Interest accrues on these advances at a rate of 90-day LIBOR + 3/8%. As of December 31, 1992, KMWA had outstanding advances with KM Ltd. of U.S. \$91,200,000. Such advances have no specified repayment terms, and management believes that repayment of the advances will not be required within the next year. The average effective interest rate for May through December, 1992, ranged from 4.375% to 3.875%.

Interest expense of \$1,782,000 was recorded in 1992 relating to the funding provided by KM Ltd. and is included with Other Income on the Consolidated Statement of Income.

Long-term debt consisted of the following at December 31, 1992 and 1991 (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
Variable interest rate loan with banks (6.53% at December 31, 1991) secured by the assets of the Western Australia joint venture	\$ -	\$113,988
Notes payable to affiliate	<u>91,200</u>	<u>-</u>
	91,200	113,988
Long-Term Debt Due Within One Year	<u>-</u>	<u>(8,231)</u>
Total	<u>\$91,200</u>	<u>\$105,757</u>

In addition to the debt shown above, the company guaranteed its ratable portion of the debt of an unconsolidated affiliate accounted for by the equity method totaling \$16,250,000 at both year-end 1992 and 1991. No loss is anticipated by reason of this guarantee.

11. INCOME TAXES

Effective January 1, 1992, the company adopted the provisions of FAS No. 109, "Accounting for Income Taxes." For a discussion of the effects of this accounting change, see Note 2.

The provision for income taxes on income before cumulative effect on prior years of changes in accounting principles for 1992 and 1991 is summarized below (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
U.S. Federal -		
Current	\$43,650	\$47,980
Deferred	<u>(3,944)</u>	<u>7,651</u>
	<u>39,706</u>	<u>55,631</u>
International -		
Current	292	639
Deferred	<u>(8,643)</u>	<u>-</u>
	<u>(8,351)</u>	<u>639</u>
State	<u>6,787</u>	<u>4,548</u>
Total	<u>\$38,142</u>	<u>\$60,818</u>

Deferred tax liabilities (assets) at December 31, 1992 are composed of the following (in thousands of dollars):

Net deferred tax liability -	
Accelerated depreciation	\$36,385
Dismantlement, reclamation, and other reserves	(3,131)
Accrued vacation	(900)
Exploration and development	(1,538)
Inventories	(2,077)
Other	<u>(346)</u>
	<u>28,393</u>
Net deferred tax asset -	
Accelerated depreciation	9,079
Preoperating and startup costs	2,334
Other	1,718
Foreign operating loss carryforward	<u>(33,136)</u>
	<u>(20,005)</u>
Total deferred taxes	<u>\$ 8,388</u>

The net deferred tax asset shown above is classified as Investments and Other Assets in the Consolidated Balance Sheet at December 31, 1992, as it represents a net deferred tax asset in a foreign tax jurisdiction. The company has a foreign net operating loss carryforward of approximately \$85,000,000 that has no expiration date.

The company has been examined by various taxing jurisdictions who have proposed adjustments to the company's tax liability. The company believes adequate provisions have been made for any taxes which may ultimately be paid.

12. IDENTIFIABLE ASSETS

The company's identifiable assets at December 31, 1992 and 1991 are composed of the following (in thousands of dollars):

	<u>1992</u>	<u>1991</u>
Domestic	\$498,414	\$ 879,440
International	<u>292,244</u>	<u>257,343</u>
Total	<u>\$790,658</u>	<u>\$1,136,783</u>

13. CONTINGENCIES

Since August 1979, when a plan was filed with the Nuclear Regulatory Commission to decommission a former operation in West Chicago, Illinois, a number of judicial and administrative proceedings have been filed. The operation, which was closed in 1973, processed thorium ores, leaving ore residues, and process buildings and equipment with some radioactivity onsite. While a number of these proceedings have been settled or resolved, several proceedings remain pending and a license to decommission has not been received. Currently, the State of Illinois has jurisdiction of this site and continues to require offsite disposal of the material.

In March 1992, the company entered into an agreement with a third party to provide for the disposal of such waste material at a permanent disposal facility in Utah. Removal of the waste material is subject, among other things, to requisite regulatory approvals being obtained, including the third party obtaining a disposal license from the Nuclear Regulatory Commission. The agreement covers an estimated 13.5 million cubic feet of thorium mill tailings and other related materials.

In September 1992, the Governor of Illinois signed the Uranium and Thorium Mill Tailings Control Act, which imposes, beginning January 1, 1994, an annual fee of \$2.00 per cubic foot of thorium mill tailings stored at the former West Chicago mill site. The act also provides that the assessed fee may be used as reimbursement for removal expenses. In February 1993, the company filed suit in the Northern District of Illinois challenging this act on federal constitutional grounds and seeking to enjoin state officials from assessing such a fee. The company is currently conducting negotiations for a consent decree with the State of Illinois with respect to the removal of the materials.

The aggregate decommissioning and relocation costs for this facility are difficult to estimate because of the many contingencies. These contingencies include the absence of any currently licensed sites that could receive the material and the absence of regulatory approval of a relocation plan. It is presently estimated, however, that the total remaining decommissioning costs, including the relocation costs which may be expended pursuant to the agreement referred to above, will approximate \$140,000,000, payable over the time necessary to relocate the materials, presently estimated at between four and seven years. The parent company has established reserves for offsite disposal of the material. The costs to remove the material would be reduced to the extent reimbursement is received pursuant to the Energy Policy Act of 1992 (which could be up to \$40,000,000). Also substantially all the amounts paid to the State of Illinois pursuant to the Uranium and Thorium Mill Tailings Control Act referred to above should be recovered as reimbursement of the removal costs.

Almost all of the company's plants and facilities are subject to various environmental laws and regulations. In addition to the matter discussed above, the company has been notified that it may be responsible in varying degrees for a portion of the costs to clean up certain waste disposal sites and former plant sites. The company is also a party to a number of other legal proceedings pending in various courts or agencies in which it appears as plaintiff or defendant.

Because of continually changing environmental laws and regulations, the nature of the company's business, the large number of other potentially responsible parties, and pending legal proceedings, it is not possible to reliably estimate the amount or timing of all future expenditures relating to environmental matters. The company or its parent provides for costs related to contingencies when a loss is probable, and the amount is reasonably estimable. Although management believes, after consultation with general counsel, that adequate reserves have been provided for all known contingencies, it is possible, due to the above noted uncertainties, additional reserves could be required in the future that could have a material effect on results of operations in a particular reporting period. However, the ultimate resolution of these commitments and contingencies, to the extent not previously provided for, should not have a material adverse effect on the company's financial position.

14. RETIREMENT PLANS

Most employees of the company and its subsidiaries are covered under the parent's noncontributory retirement plans. The benefits of these plans are based primarily on years of service and employees' remuneration near retirement. The parent company's policy is to fund the minimum amounts as permitted by the Employee Retirement Income Security Act of 1974. All contributions to the retirement plan trust are made by the parent company. The parent also sponsors supplemental retirement plans to provide employees with benefits provided for by the plans, but in excess of the limits under the

Federal tax law. The company recognized pension benefits of \$1,418,000 and \$463,000 in 1992 and 1991, respectively, as allocated by the parent company.

15. POSTRETIREMENT BENEFITS

In addition to pension benefits, the parent company sponsors contributory plans to provide certain health care and life insurance benefits for retired employees. Substantially all the company's employees may become eligible for these benefits if they reach retirement age while working for the company. Effective January 1, 1992, the company adopted FAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." See Note 2 for a discussion of the effects of the adoption of this standard.

The 1992 expense allocated to the company and recognized under the new accounting method for postretirement health care and life insurance benefits was \$2,360,000. In prior years, the company was allocated and recognized as expense the cost of retiree health care benefits as claims were paid, while the cost of providing life insurance benefits was recognized by expensing the annual insurance premiums paid. The amount included in expense for 1991 under the previous accounting method was \$3,323,000.

16. DEFERRED CREDITS AND RESERVES

The major portion of the other deferred credits and reserves is reserves established for decontamination and reclamation at certain of the company's operating plants and other environmental costs based on estimates from engineering studies. These reserves total \$6,615,000 at December 31, 1992, and \$11,006,000 at December 31, 1991.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The company's financial instruments at December 31, 1992, excluding foreign currency futures contracts discussed in Note 1, primarily consist of notes receivable, advances to the parent company and debt obligations. The carrying amounts of these items included in the Consolidated Balance Sheet at December 31, 1992 approximate the fair value of those instruments.

ATTACHMENT NO. 6

JANUARY 1929 MEETING

MINUTES OF THE REGULAR MEETING OF THE BOARD OF
DIRECTORS OF LINDSAY LIGHT COMPANY, HELD
IMMEDIATELY AFTER THE STOCKHOLDERS' ANNUAL
MEETING ON TUESDAY, JANUARY THE 22ND, 1929,
AT THE HOUR OF 4 P. M.

The meeting was called to order by Mr. Chas. R. Lindsay, Jr., who acted as Chairman of the meeting. Mr. Chas. R. Lindsay, III, acted as Secretary of the meeting.

Present:

Mr. H. C. Beste
Mr. M. W. Eichelberger
Mr. C. W. Stabenau
Mr. R. L. Little
Mr. C. R. Lindsay, Jr.
Mr. C. R. Lindsay, III.

Same being six of the Directors of Lindsay Light Company, thereby constituting a quorum.

Minutes of the previous meeting were approved.

The first order of business was the election of officers for the Year 1929. Upon motion by Mr. Beste, seconded by Mr. Eichelberger, and passed unanimously, the following officers were elected for one year, with salaries the same as during 1928 on a monthly basis:

- 1 - Chas. R. Lindsay, Jr., President
- 2 - H. N. McCoy, Vice President
- 3 - Chas. R. Lindsay, III, Secretary and Treasurer.

The Chairman read the report of earnings for the year and explained that in addition to these earnings a great deal of repair work, probably amounting to around nine or ten thousand dollars including materials and labor, had been done on our Chemical Refinery during the year which amount was deducted directly from profits and not added to the Machinery and Fixtures item on the statement. Mr. Lindsay, Jr., expressed the opinion that profits for the current year would be considerably in excess of the 1928 showing.

On motion made by Mr. Beste, seconded by Mr. Little, and passed unanimously, Miss T. K. Isaacson was elected Assistant Secretary with powers to sign stock certificates.

shred
Twenty
C.R. Lindsay III
2/6/29

- 2 -

On motion by Mr. Stabenau, seconded by Mr. Beste, and passed unanimously, it was authorized by the Directors to buy in Preferred Stock at \$9.00 per share up to one thousand shares. This amount would be in addition to the three hundred and ~~seventy~~ shares still unpurchased which the Company had been previously authorized to buy by the Directors at the last meeting.

Then followed a discussion with regard to the numerous complaints by the City and various companies with regard to the fume nuisance at the Chemical Refinery. Mr. Lindsay, III, and Mr. Little were instructed to fix this matter up with the City officials and with Durand-McNeil and Horner, the principal complainants.

There being no further business before the meeting, the same was declared adjourned.

Chas. R. Lindsay III
SECRETARY

We, the undersigned, being Directors of Lindsay Light Company, and having been present at the meeting of said Directors held on January 22nd, 1929, hereby certify that the foregoing record hereof is a true record and we consent thereto.

Chas R Lindsay

C. W. Stabenau

Mark W. Weinreb
Robert L. Little

Chas. R. Lindsay III

I concur in the foregoing and ratify and approve the said records and the proceedings described therein.

ATTACHMENT NO. 7

The Chicago Dock & Canal Trust

Chicago, June 3, 1913.

TO THE STOCKHOLDERS OF

THE CHICAGO DOCK & CANAL COMPANY:

The Treasurer's Report, submitted herewith, shows the Receipts and Disbursements of the company for the fiscal year ended April 30, 1913. The company's books and accounts were audited by Ernest Reckitt & Company, Certified Public Accountants, and their certificate is attached.

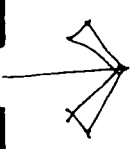
FOR COMPARISON WITH FORMER FISCAL YEARS, IS THE FOLLOWING TABLE:

	<u>1909.</u>	<u>1910.</u>	<u>1911.</u>	<u>1912.</u>	<u>1913.</u>
Rents earned,	\$260,161.65	\$291,896.72	\$298,783.86	\$298,363.13	\$309,475.71
Fire loss (excess,)		<u>155.</u>			
		292,051.72			
Interest on Reserve Fund, (net,)			<u>254.86</u>	<u>2,187.50</u>	<u>3,000.</u>
			\$299,038.72	\$300,550.63	\$312,475.71

PROPERTY EXPENSE ACCOUNT.

	<u>1909.</u>	<u>1910.</u>	<u>1911.</u>	<u>1912.</u>	<u>1913.</u>
Rents uncollectible,				\$3,266.67	
Insurance,	3,854.56	4,483.65	4,398.77	3,067.85	3,960.25
Interest,	33,509.32	47,578.28	42,626.68	41,911.99	42,762.02
Expenses, (legal & sundry)	6,402.03	5,357.69	7,419.44	6,187.19	10,742.76
Management expense,	18,492.60	15,141.63	18,199.98	17,447.67	15,254.27
Taxes and assessments,	24,723.39	25,845.64	25,406.27	31,321.79	38,450.29
Building Repairs,	646.59	2,270.74	12,927.14	12,294.53	4,503.73
Dock Repairs,	21,697.33	85.60	3,644.34	885.83	3,688.06
Street repairs,	3,993.88	1,627.04	8,525.41	1,863.83	3,956.23
Reserve, for Depreciation of buildings,				34,696.71	34,589.84
Old improvements of no value, charged off, and adjustment of leases,					8,775.
	<u>\$113,319.70</u>	<u>\$102,390.27</u>	<u>\$123,148.03</u>	<u>\$152,944.06</u>	<u>\$166,682.45</u>
					145,793.26
Net earnings,	<u>146,841.95</u>	<u>189,661.45</u>	<u>175,890.69</u>	<u>147,606.57</u>	
	<u>\$260,161.65</u>	<u>\$292,051.72</u>	<u>\$299,038.72</u>	<u>\$300,550.63</u>	<u>\$312,475.71</u>





During the year there was obtained from the Common Council an ordinance running for twenty years, granting the right to construct a switch track across Illinois Street. It is the intention to develop the property between Illinois and Indiana Streets from a point about three hundred feet east of Seneca Street to Peshtigo Court with buildings for industries which require railroad facilities, the plan being to connect the track crossing Illinois Street with a system of tracks running east and west through the center of the property. The buildings will face Illinois and Indiana Streets, with teaming facilities on the street fronts and railroad tracks in the rear. This arrangement will eventually give twenty-six hundred lineal feet of frontage for buildings. In order to carry out the track plans, it was necessary to terminate the lease with John S. Cooper of Lot Three in Sub Block Three, in Block Nineteen, Kinzie's Addition, as the tracks will run through the center of this lot, upon which the lessee many years ago erected a two story and basement stable, extending from Illinois to Indiana Street. Under the lease with Mr. Cooper the lessor reserved the right at the end of ten year periods to terminate the lease by paying the lessee the appraised value of the improvements. The company exercised its option on May first of this year. The value of the improvements, as determined by appraisers appointed by the company and Mr. Cooper, under the terms of the lease, is \$25,712.24. The railroad tracks will require a right of way forty-three feet wide, and it is proposed to cut forty-three feet through the center of the stable, leaving two stables, each 87½ feet deep.

The company owned Lots 7, 10 and 11, in Sub Block 2, Block 19, Kinzie's Addition, Lots 10 and 11 having a frontage of 100 feet on Indiana Street, 50 feet east of the corner of Seneca Street. Mr. Frederick H. Winston owned Lots 8 and 9, with an equal frontage, adjoining the company's holding on the east, and Lot 12 at the corner of Seneca Street. An exchange of ownership was effected, the company acquiring Lots 8 and 9, and Mr. Winston Lots 10 and 11. By the exchange the company now owns 150 feet contiguous to its holdings to the east of Lot 7. The company received in addition to the land \$1,500. in cash, which more than covered all expenses in connection with passing of title, wrecking and clearing away an old building of no value on the lots acquired, and fencing the property. When the switch tracks are installed in Block 19, a spur can be run into the 150 feet in question without encroaching on the alley and without additional authority from the Common Council.

Respectfully submitted,

EUGENE H. FISHBURN, President.

TO THE STOCKHOLDERS OF
THE CHICAGO DOCK AND CANAL COMPANY:

The Treasurer's Report, submitted herewith, shows the receipts and disbursements of the company for the fiscal year ended April 30, 1914. The company's books and accounts were audited by Ernest Reckitt & Company, Certified Public Accountants, and their certificate is attached.

FOR COMPARISON WITH FORMER FISCAL YEARS, IS THE FOLLOWING TABLE:

	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>
Rents earned,	\$291,896.72	\$298,783.86	\$298,363.13	\$309,475.71	\$322,212.85
Fire loss (excess)	<u>155.</u>				
	<u>\$292,051.72</u>				
Interest on Reserve Fund (net)		254.86	2,187.50	3,000.	3,000.
Interest on City of Chicago bonds, (net)					<u>4,333.32</u>
		<u>\$299,038.72</u>	<u>\$300,550.63</u>	<u>\$312,475.71</u>	<u>\$329,546.17</u>

PROPERTY EXPENSE ACCOUNT.

	<u>1910</u>	<u>1911</u>	<u>1912</u>	<u>1913</u>	<u>1914</u>
Rents uncollectible,			\$3,266.67		
Insurance,	\$4,483.65	\$4,398.77	3,067.85	\$3,960.25	\$3,103.50
Interest,	47,578.28	42,626.68	41,911.99	42,762.02	41,043.86
Expense (legal & sundry)	5,357.69	7,419.44	6,187.19	10,742.76	15,429.27
Management expense,	15,141.63	18,199.98	17,447.67	15,254.27	16,107.95
Taxes and Assessments,	25,845.64	25,406.27	31,321.79	38,450.29	38,728.62
Building Repairs,	2,270.74	12,927.14	12,294.53	4,503.73	18,778.31
Dock Repairs,	85.60	3,644.34	885.83	3,688.06	2,700.41
Street repairs,	1,627.04	8,525.41	1,863.83	3,956.23	6,925.46
Reserve for Depreciation of buildings,			34,696.71	34,589.84	37,812.68
Old improvements of no value, charged off, and adjustment of leases,				8,775.	
	<u>\$102,390.27</u>	<u>\$123,148.03</u>	<u>\$152,944.06</u>	<u>\$166,682.45</u>	<u>\$180,630.06</u>
Net earnings,	<u>189,661.45</u>	<u>175,890.69</u>	<u>147,606.57</u>	<u>145,793.26</u>	<u>148,916.11</u>
	<u>\$292,051.72</u>	<u>\$299,038.72</u>	<u>\$300,550.63</u>	<u>\$312,475.71</u>	<u>\$329,546.17</u>

Net earnings year ended April 30, 1905, on \$825,600.	stock issued, 14-5/10 per cent,
" " " " " " 1906, " " " "	15-96/100 "
" " " " " " 1907, " " " "	15-81/100 "
" " " " " " 1908, " " " "	11-6/10 "
" " " " " " 1909, " " " "	17-78/100 "
" " " " " " 1910, " " " "	22-97/100 "
" " " " " " 1911, " " " "	21-3/10 "
" " " " " " 1912, " " " "	17-88/100 "
" " " " " " 1913, " " " "	17-66/100 "
" " " " " " 1914, " " " "	18-03/100 "

As noted in previous reports, the apparent decrease in net earnings after 1911 is caused by the opening of "Reserve for Depreciation of Buildings" account.

Upon advice of the auditors employed by the company, in order to bring the accounts in harmony with the requirements for accounting by the Federal Income Tax Law, the amount carried to "Reserve for Depreciation of Buildings" has been increased from two per cent to three per cent, and building repairs closed into this account instead of into Profit and Loss.

For convenience, the company's land has been carried in three accounts, namely: "Real Estate General," "New Pier and Improvement" and "Improvement north of Michigan Slip." The accounts have now been consolidated into "Real Estate General."

BUILDINGS OWNED BY THE COMPANY.

Canada Atlantic Dock,	\$26,748.80
Globe Warehouse,	8,136.05
Warehouses, Central Vermont Railroad Company,	99,870.86
Potter Building,	49,583.76
Scully Building,	56,195.97
General Electric Building,	77,436.76
Building 225--239 East Illinois Street,	64,114.73
Building 241--243 " " "	32,930.50
Building 247--255 " " "	22,705.24
Building 316--322 " " "	12,856.12
Building 321--327 East Grand Avenue,	12,856.12
Building 341--349 " " "	19,775.44
Interior Buildings,	9,264.20
Rice Building,	162,162.78
Furniture Exhibition Warehouse,	352,255.91
Furniture Exhibition Warehouse, First Addition,	287,164.80
Furniture Exhibition Warehouse, Second Addition,	480,849.98
Corn Products Building,	111,791.66
Chicago Lighterage Building,	<u>1,022.62</u>
	<u>\$1,887,722.30</u>

The Cooper stable, which was acquired in 1913, has been divided into two buildings, by cutting out forty-three feet across the center of the structure, thus making a way for the proposed railroad tracks. The expense of the structural changes has been charged to Building Repairs. The remodeled buildings now appear in the above list under their proper street numbers, their cost in each case being one-half the amount paid for the original building.

CHICAGO DOCK AND CANAL

COMPANY'S PROPERTY

(Partly 3 Parcels)

FAIRBANKS
COUNT

SMITH
COUNT

E. GRAND

ELECTRIC STREET CAR LINE

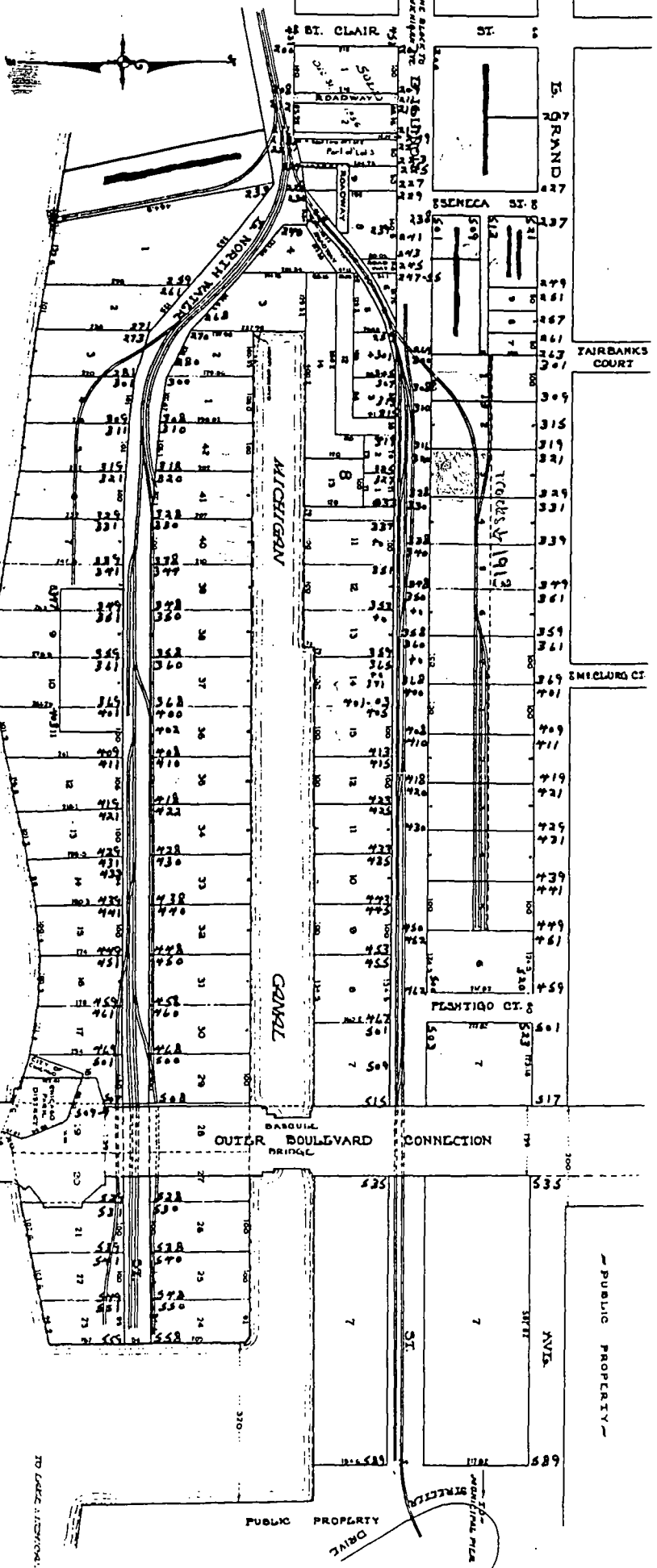
ST. CLAIR

10	11	12	13	14	15	16
NOT OWNED BY COMPANY						
1	2	3	4	5	6	7

Not for Release

THE CHICAGO DOCK AND CANAL COMPANY'S PROPERTY

MAIN CANAL OF CHICAGO RIVER



ODDEN SHELTON & Co.
111 W. WASHINGTON STREET
CHICAGO, ILL.
FOUNDED 1875

Lindsay Light 316 E. Illinois

NICKEL PLATE STOVE POLISH CO.

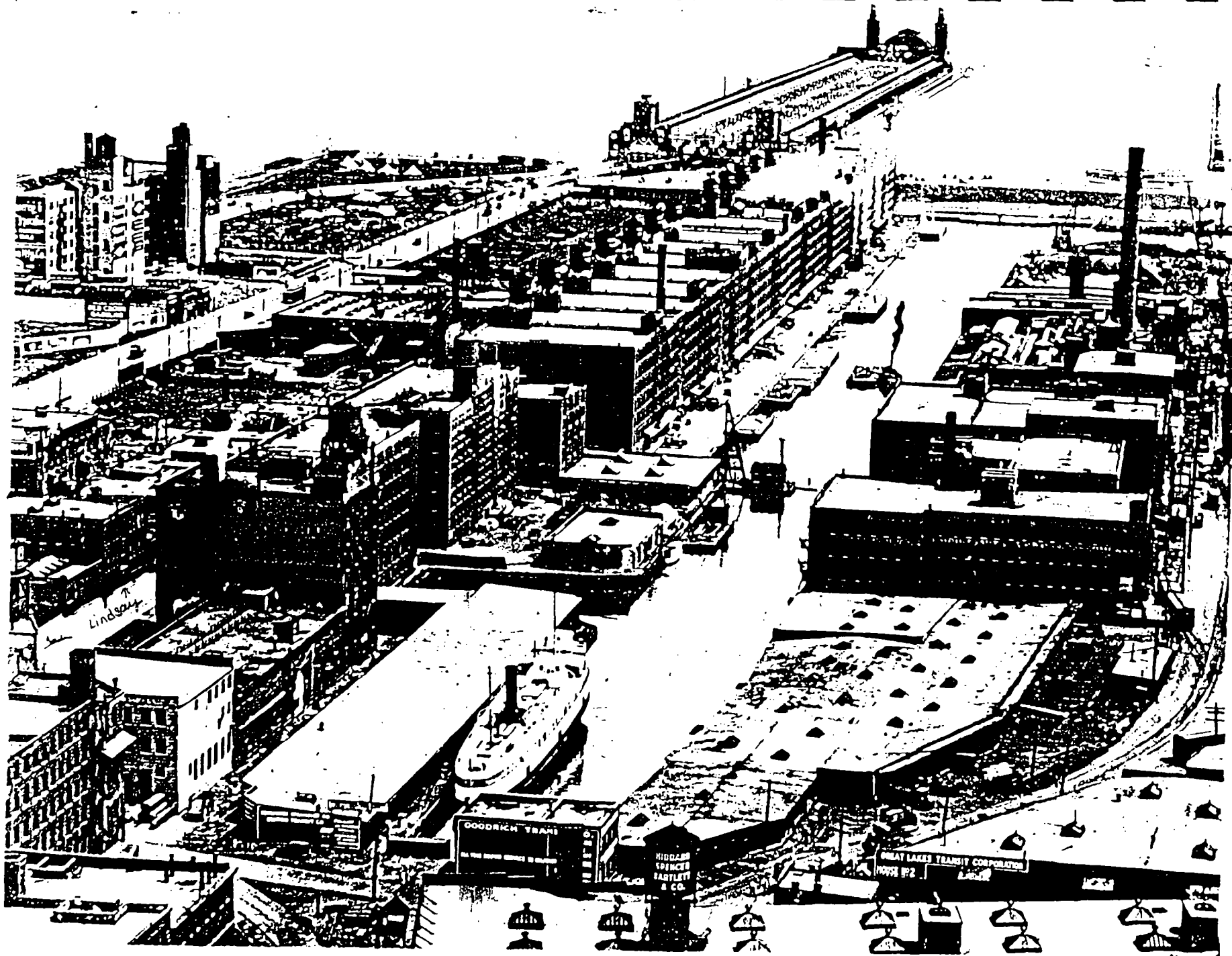
OFFICE
TEL. SUPERIOR 1052
No. 362

316
Illinois

on
Illinois
Woolen
west

E503/

1917



316-22
E. Illinois
Building

Looking
NE

1922



(026-108)(7-12-36-11A 2-1000) MAP - CHICAGO RIVER

Building
Torn-down

Looking
west

1936

Boe

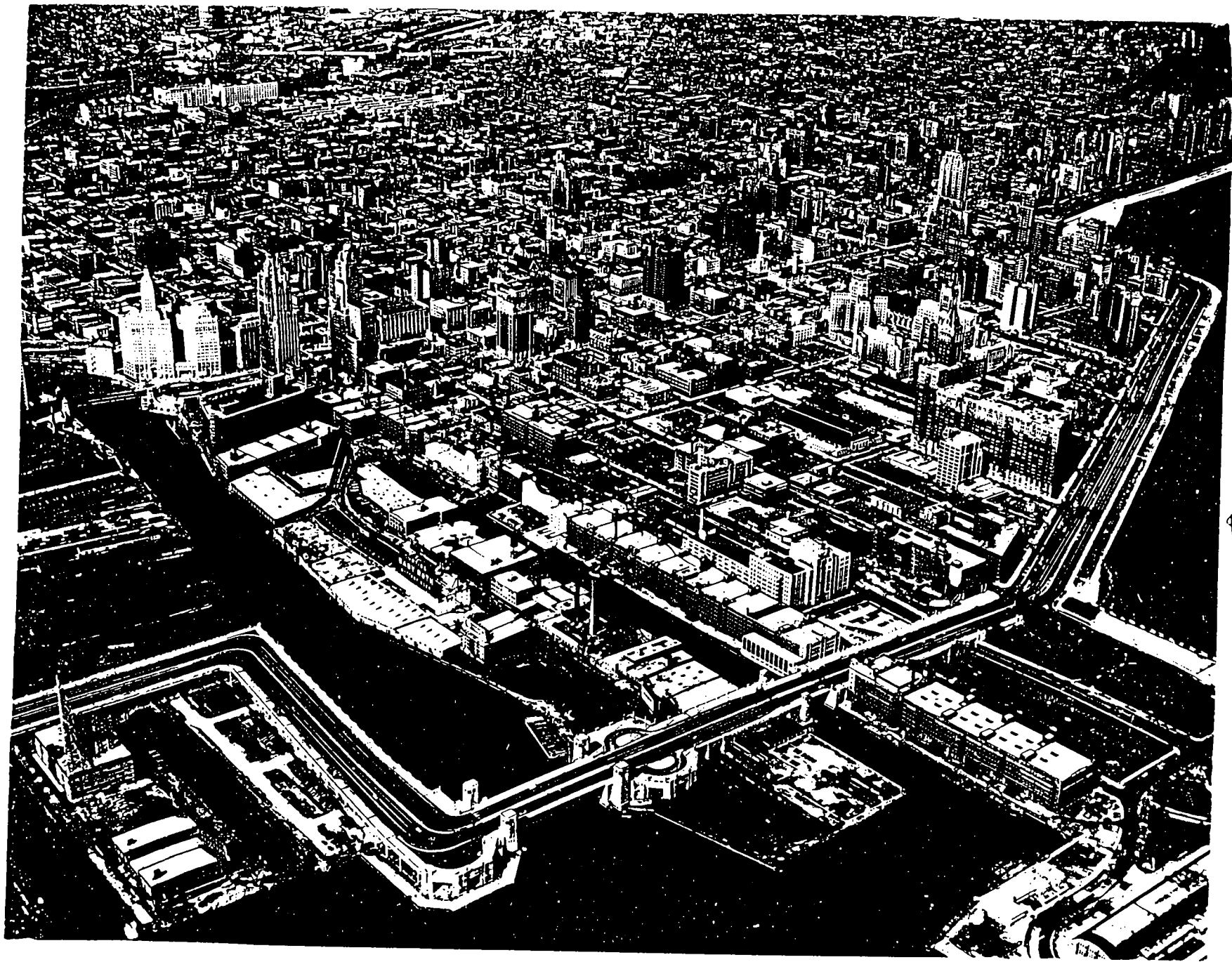
Looking SW
From Grand



PETER FISH STUDIOS
Photographers

↑ 316 E. Illinois

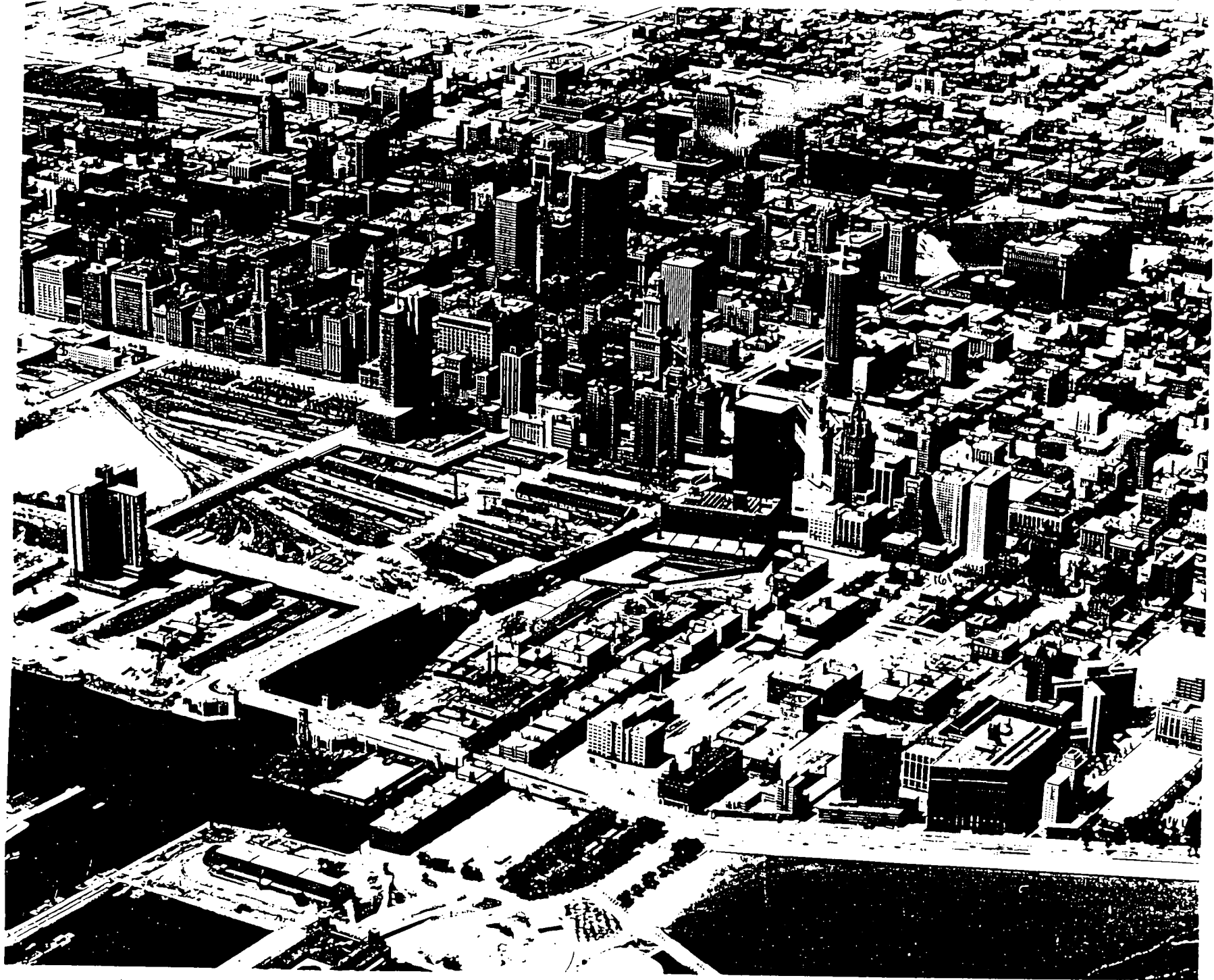
1945



Parking lot

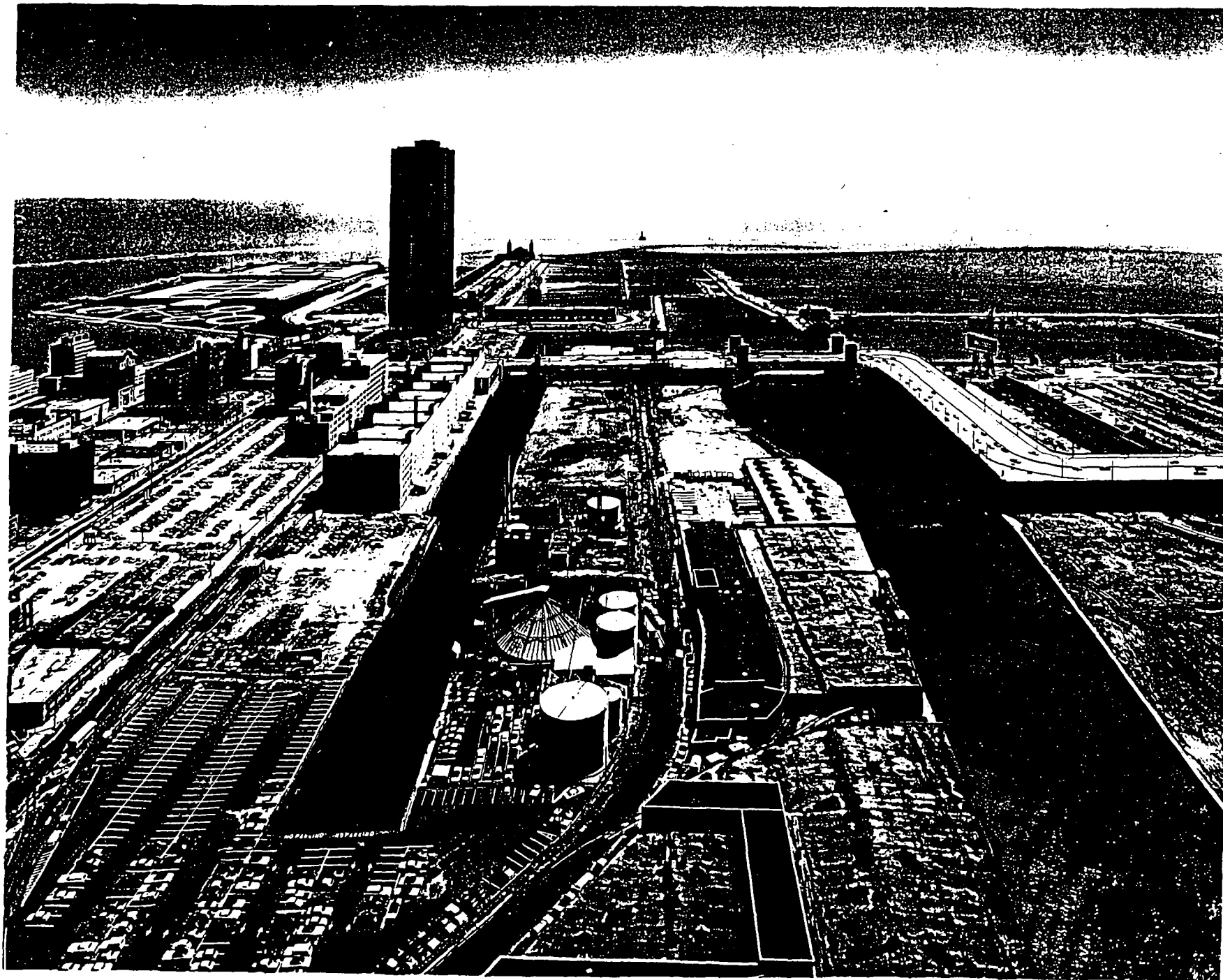
Probably Built
Parking lot
c. 1950

c. 1950



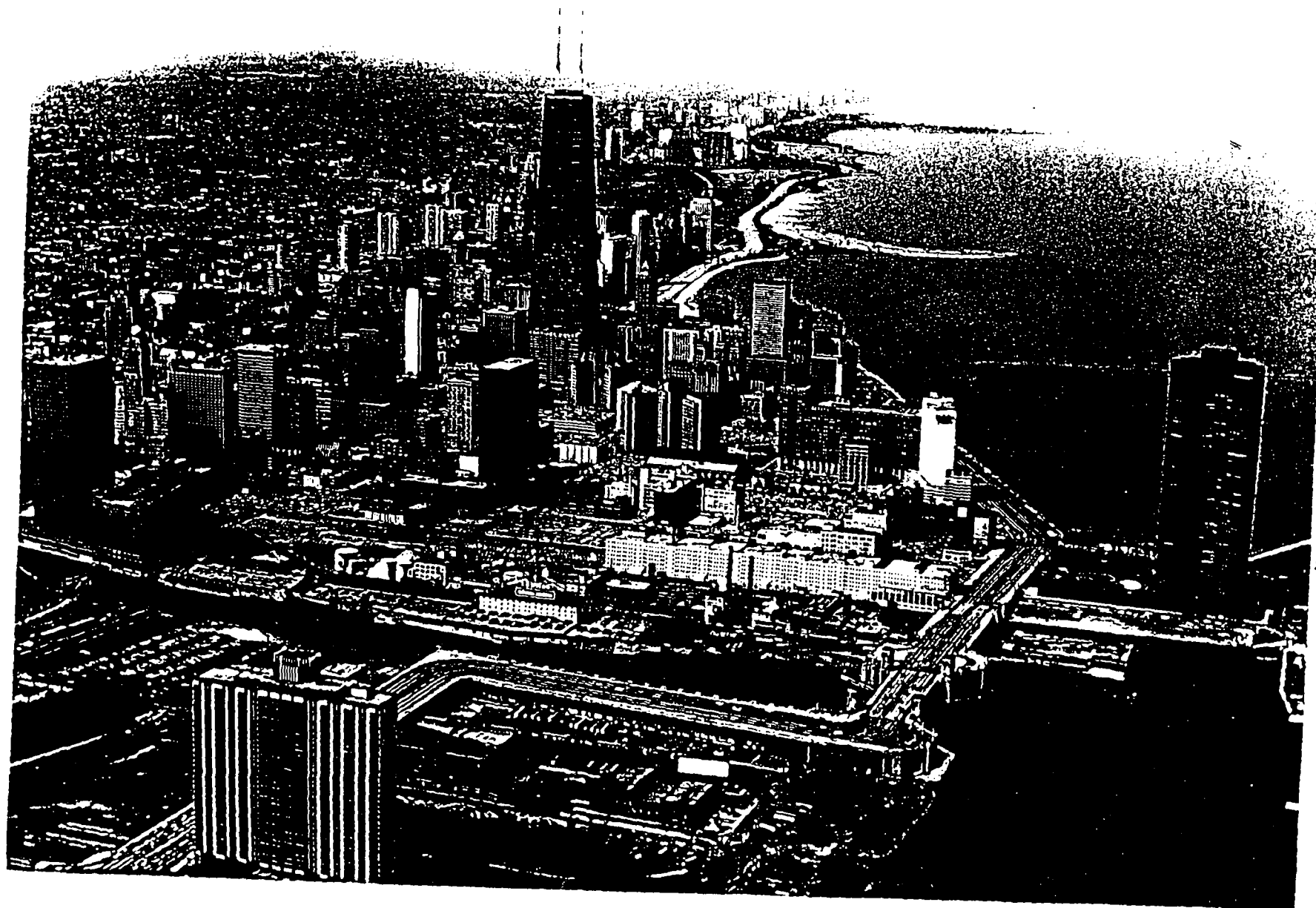
parking
lot

6:1960

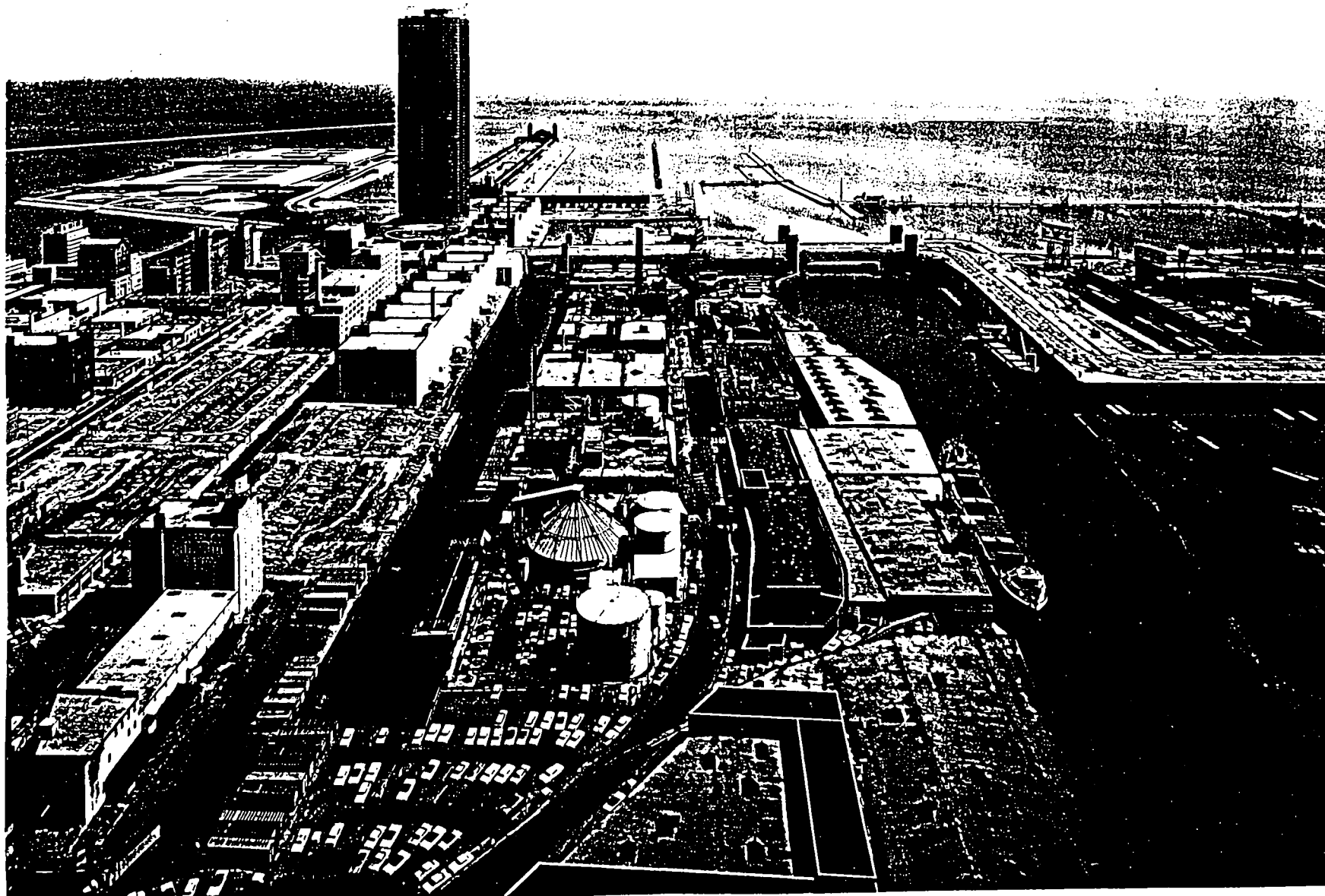


Parking
Lot

1968



Parking
Lot



Parking
Lot

1974